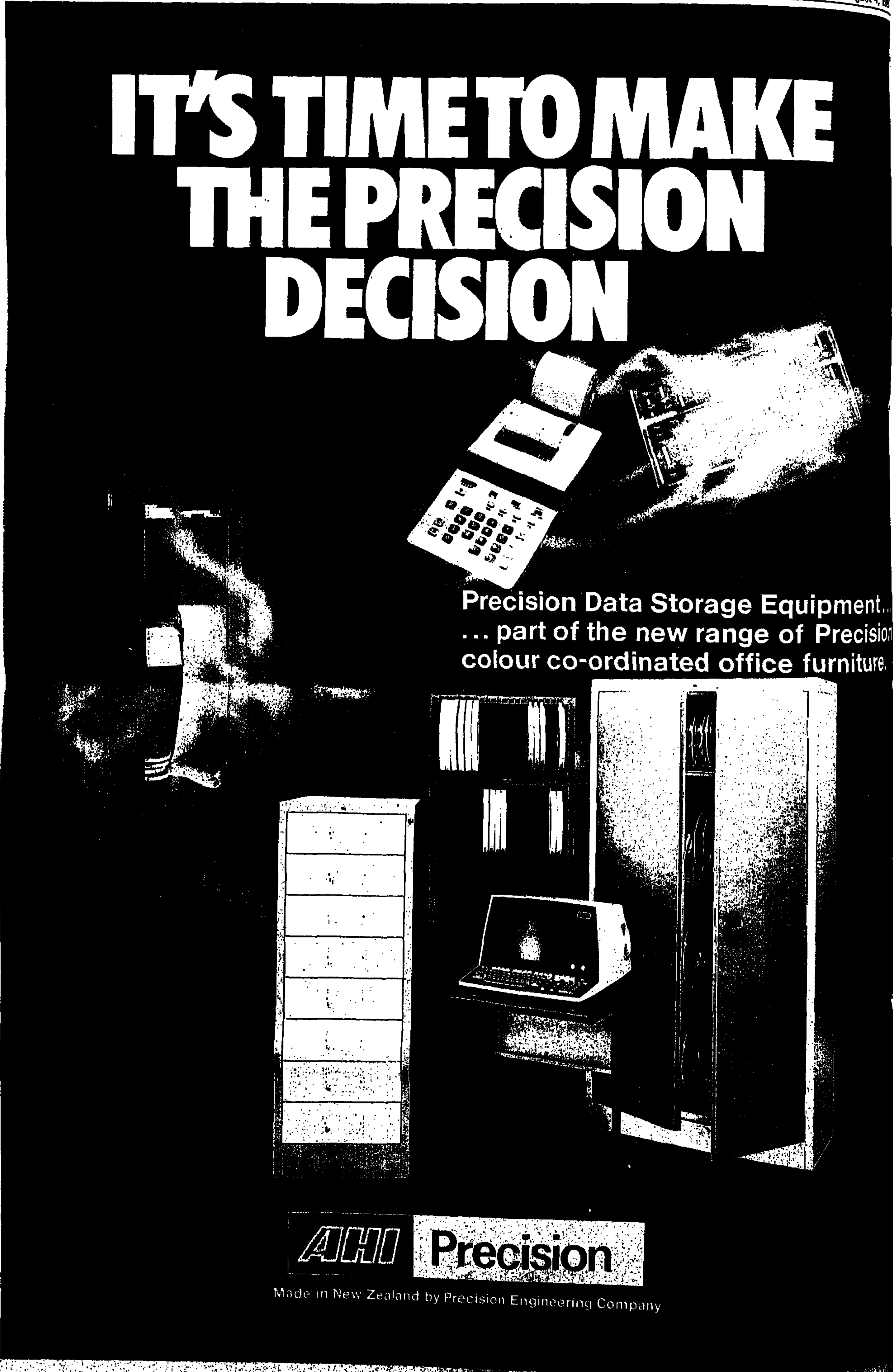

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NATIONAL BUSINESS REVIEW

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Inside

Conspiracy trials push T & I into licence decisions review

TRADE and Industry is to review all licensing decisions made by former assistant director Brian Pound who has been facing three counts of conspiracy with intent to defraud the public.

All three "secret" trials in the Wellington High Court ended with hung juries and the Solicitor General Paul Neazor initiated a stay of proceedings on the Crown's advice to stop expensive re-trials.

Regardless, Trade and Industry is understood to be instigating a review of licences granted by Pound between 1973 and 1978 which it deemed in excess of his authority.

Questionable non-basic-special licences valid for only one year were not renewed by the department during the two year investigation sparked by the La Varis inquiry in 1978.

And it is understood the review — in the interests of equity — will not stop at the three companies which joined Pound in the dock, but will include 17 others initially investigated by the department.

Continuous basic licences which may have been issued by Pound contrary to Government policy, will also be reviewed but are more difficult to revoke.

Trade and Industry is reluctant to state whose licences have not been renewed or suspended. Nor will it state their value.

In the first trial Pound was charged jointly with James Albert Schindel, a director of the Auckland-based James Grant Import Co Ltd.

The Crown claimed that Pound issued 17 licences to the company in the year to July 1976. Twelve were initially declined by junior officers but subsequently approved by Pound to the value of $30,000.

Normally an importer must have a "licence history" and be trading in the goods sought before Trade and Industry will grant fresh licences, a practice that makes for the takeover of companies with licences and trading of unused licences.

Schindel was refused licences by Pound's subordinates because he lacked the necessary history.

Evidence was given that after Pound retired from the department in 1978 Schindel took him on an expenses-paid trip to China, Hong Kong and Manila, to "get to know that end of the business".

Pound had then set up his own import consultancy, Sterling Associates, working from an office in Allen Street, Wellington.

In his defence, Schindel claimed the value of his licences had increased more rapidly after Pound had left the department, though the court was told this was mainly due to a change in Government policy.

In the second trial, Allen Wong, major shareholder in Cathay Trading Ltd since 1974, joined Pound in the dock. In 1974 Wong applied for 34-non basic special licences to a value of $37,267. Only one was granted by Pound.

Continued on Page 5

Petrochemicals lobbying battle

by Rae Mazengarb

AS the dust settles after the methanol fight between Petrocorp/Alberta Gas and the BP consortium, battle lines are being drawn for fierce lobbying to decide who will control projects based on other constituents of the Maui natural gas stream.

The Government has decided that: The ethane in the gas stream will be reserved to establish petrochemical industries — and the LPG will be produced as transport and industry fuel and as a feedstock for petrochemical production.

But detailed plans await approval. State-owned Petrocorp — grafting on to the overseas experience of Canada's Alberta Gas — finally won out against BP in the methanol race, despite its late start.

The oil companies are likely to fight tooth and nail to see they secure a stake in any potential petrochemicals plastics development based on ethane.

In recent weeks Shell has sponsored an ethylene export scheme and has drawn its Maui partners into an alliance — at least to prepare detailed proposals.

The group has retained international petrochemical consultants to evaluate ethylene production costs and potential markets for a Taranaki development.

The report is about six months from completion.

But some industry sources predict that if there is a large-scale move into ethane and LPG production — representing some 21 per cent of Maui's total energy — a decision might be made to proceed with the Maui B platform, at a cost of at least $500 million.

Imminent Government decisions on the nature and ownership of the plant or plants to extract the valuable butanes, propanes and ethanes from the gas stream will be critical to the future of the ethane stream.

Petrocorp advocated close study of the use of other fractions of the gas stream in a petrochemical industry late last year, when the company made its bid for the methanol approval.

More recently it has enlisted the aid of the Plastics Institute of New Zealand (PINZ) to assess local petrochemicals production based on the ethane fraction.

The growing interest in a possible petrochemical industry has spurred PINZ to establish a petrochemicals committee.

Petrocorp has expressed a willingness to consult with the committee, and with potential polythene users, before presenting a firm prosposal to the Government.

While Petrocorp has shown its readiness to merge with overseas' partners to steal a march on the oil companies, the institute would favour a scheme producing as wide a range of plastic resins as economically as possible.
While Petrocorp has shown its readiness to merge with overseas' partners to steal a march on the oil companies, the institute would favour a scheme firmly in the hands of New Zealand interests producing as wide a range of plastic resins as economically possible.

A scheme along those lines would be more attractive to PINZ members than one involving the export of large blocks of ethylene for petrochemical plants overseas.

The main criteria in any downstream activity based on petrochemicals — from the industry point of view — is price and security of supply.

PINZ executive officer Bruce Dunlop said "If New Zealand had an internationally priced and quality competitive plastic raw materials industry — even if it was only producing film-grade polyethylene — then that could provide a substantial springboard for the export development of a wide range of industries, particularly in the primary product sector."

Auckland appointments

FOURTH Estate, publishers of *National Business Review* and the *New Zealand Business Who's Who*, has increased its representation in Auckland.

NBR's Auckland correspondent, Warren Berryman, will be joined on a part-time basis by journalist Gordon McLauchlan. McLauchlan represented *National Business Review* as a correspondent in the past. For the last two years he has been involved in the establishment of Radio Pacific.

Frits Hermans has been appointed Auckland Sales Manager. Hermans will handle the company's magazine, directory and book sales plus other administrative activities in the area.

The commitment to a larger establishment in the Auckland area was part of the company's acknowledgement that it needs to better service New Zealand's largest business market, Fourth Estate's managing-director Reg Birchfield said in announcing the new appointments.

"An increasing number of our subscribers and our stories are coming from the Auckland area and the volume of business we are doing in the city is growing dramatically," he said.

Remuneration Act's repeal

THE Remuneration Act will be repealed. Talks will continue on wage system reforms and a cost-of-living adjustment hearing will be conducted as part of the interim agreement reached on the wage policy talks.

PRIME Minister Rob Muldoon might introduce a mini-Budget later in the year to increase personal income tax if he considers the wage round excessive.

THE Railways Department recorded a loss of almost $90 million in the financial year to March 31, the bulk of it incurred on passenger services.

MOTOR assembly industry unionists began a series of 24-hour strikes to try to stop the closing down of a plant in Petone and to protest against a restructuring report on the industry.

A LABOUR Government will not allow viewdata to be set up hastily without a thorough review of its effects on employment and the possibility of it increasing monopoly control of the news media.

AIR New Zealand plans to reduce flight frequency in an attempt to save $2.5 million on domestic routes and $3 million on international routes this year.

FORMER Labour Party candidate and FOL executive member *Sonja Davies*, resigned from Labour's policy council.

THE State Services Conditions of Employment Bill brought about further one-day strikes; this time from secondary school teachers.

BANK officers will hold stop-work meetings before normal bank opening hours to oppose Saturday trading.

THE Drivers' Federation reduced its wage increase claim from 20 per cent to 16 per cent.

THE Broadcasting Tribunal decided against Sunday advertising on radio.

SOME trade unionists will fight for a 35-hour working week in a bid to create more work.

A PLANNING Council survey showed that most people leaving New Zealand are young and in the workforce; one in four has technical qualifications; 15 per cent have university or professional qualifications.

UP to 500 overseas votes were invalidated at the last general election because they didn't arrive by the deadline date.

THE Criminal Law Reform Committee recommended to the Government that the police be given powers to allow them to bodily examine suspects, note down their measurements, and take blood, saliva, and hair samples.

ALL but one of 192 Iranian student demonstrators arrested in the United States last month were released.

ALL rail traffic will be monitored by computers by the end of the year after centres are set up in Christchurch and Dunedin.

PRESIDENT Carter denied his or his Government's involvement with brother Billy's dealings with the Libyan Government.

AN Australian Government report on the effects of technology recommended that education and the trade union movement will need to change and provisions be made for redundant workers for technological progress to move ahead.

The business week

Ajax GKN Ltd reported an unaudited tax-paid profit of $2,018,000 for the year to June 30 ($1,852,000 last year). A final dividend of 14c is payable on October 28.

City Realties Ltd reported an unaudited operating profit of $230,901 for the year to June 30 ($92,491 last year). A final dividend of 9 per cent is payable.

Comalco Ltd reported an unaudited tax-paid profit of $36,748,000 for the first six months of 1980. An interim dividend of 8c is payable on November 6.

Intertasman NZ Group Ltd reported a loss of $3927 for the year to March 31 ($2160 last year).

Mineral Resources (NZ) Ltd reported a net profit of $8545 for the year to March 31 ($45,445 last year).

Skellerup Industries Ltd reported an audited tax-paid profit of $6,174,097 for the year to March 31 ($4,618,660 last year). A final dividend of 15 per cent is payable.

Walker & Hall (NZ) Ltd reported an audited tax-paid profit of $225,667 for the year to April 30 ($70,618 last year). A final dividend of 10 per cent is payable on September 19.

Ivor Watkins-Dow Ltd reported an unaudited tax-paid profit of $2,112,000 for the six months to June 30, ($1,486,000 same period last year). An interim dividend of 4c is payable on September 30.

Arthur Yates & Co Ltd reported an unaudited tax-paid profit of $154,000 for the half-year to May 31 ($70,000 same period last year). An interim dividend of 8c is payable on September 1.

New Zealand Forest product's 40 per cent takeover bid for **UEB Ltd** was approved by the Examiner of Commercial Practices.

The week ahead

MONDAY: Donaghys Industries' annual general meeting in Dunedin.
Grosvenor Properties' annual general meeting in Auckland.
Henderson & Pollards' annual general meeting in Auckland.

TUESDAY: Conference on economic relations between Australia and New Zealand in the 1980s, sponsored by the Australia New Zealand Foundation, to be held at the Australian National University in Canberra.
Prince Fumihito, aged 14, the son of the Crown Prince of Japan arrives for an informal visit.
Seminar on the future of small scale mining sponsored by the Australasian Institute of Mining and Metallurgy in Wellington.
Commerce Commission trade practice inquiry on the refusal of Phillips & Pike Ltd to supply Baillie Wines & Spirits Ltd hears closing submissions.
Collingwood Holdings' annual general meeting in Auckland.
Hawkins Holdings' annual general meeting in Hamilton.

WEDNESDAY: Goodman Groups' annual general meeting in Wellington.
Wilson, Neills' annual general meeting in Dunedin.
Winstones' annual general meeting in Auckland.

THURSDAY: Convention on the accountability of the executive begins, sponsored by the Institute of Public Administration, until the 19th in Wellington.
Ernest Adams' annual general meeting in Christchurch.
Lanes' Industries' annual general meeting in Auckland.
UEB Industries' annual general meeting in Levin.
Rural land use seminar at Massey University.

FRIDAY: Mineral Resources (NZ) Ltds' annual general meeting in Auckland.

Exchange Rate[s]

As at August 7 1980 $1NZ is worth:

Australia	[illegible]
Britain	[illegible]
Canada	[illegible]
Fiji	[illegible]
Japan	[illegible]
West Germany	[illegible]
United States	[illegible]
Austria	[illegible]
Belgium	[illegible]
China	[illegible]
Denmark	[illegible]
France	[illegible]
Greece	[illegible]
Hong Kong	[illegible]
India	[illegible]
Malaysia	[illegible]
Netherlands	[illegible]
New Caledonia and Tahiti	[illegible]
Norway	[illegible]
Papua-New Guinea	[illegible]
Portugal	[illegible]
Singapore	[illegible]
South Africa	[illegible]
Spain	[illegible]
Sri lanka	[illegible]
Sweden	[illegible]
Switzerland	[illegible]

T and I veto makes Ballins project a fizzer

THE Trade and Industry Department has flattened Ballins Industries Ltd's exuberance and plans for a "New Zealand shop" in Hong Kong.

It has rejected the Christchurch-based soft-drink maker and liquor trader's application for a $400,000 export market development grant.

There were other problems. But the department's refusal effectively killed the project by forcing Ballins to forego an option on a prominent and relatively cheap site in a major new shopping complex.

The scheme was ambitious, a 1400 square metre shop selling top-quality New Zealand merchandise with built-in wine bar.

Ballins was intending to establish an Auckland subsidiary to buy and consolidate the products of more than 200 small firms, many of which have not exported before.

Extensive market research had convinced Ballins that the concept could succeed in Hong Kong's highly competitive atmosphere by aiming for the small but fast-growing wealthy sector and tourist trade.

Establishment costs were more than $1 million, but the company — making its first foray into exporting — was expecting an export market development grant to cover 40 per cent of the costs. Export incentives would also have been collected on goods shipped.

Ballins acting chief executive Richard Peate said the department had taken seven months to reject the application, supposedly because the grants were not available to support retail ventures overseas.

"The lower echelons in the department thought it was a good idea," he said. "So did the Reserve Bank and the New Zealand Trade Commissioner in Hong Kong.

"Somewhere along the line someone higher up in Trade and Industry must have baulked at the cost. We could have gone back and argued at ministerial level but we were too far down the track."

Ballins option on space in a new Kowloon shopping complex at $84 a square metre was fast expiring and the company was unwilling to go further without Government support.

Peate maintains that the concept would have shown a profit if the option was exercised, but would be severely handicapped if space was now taken in existing shopping centres at more than $145 a square metre.

Among other problems, shipping was the biggest headache. But by consolidating cargoes as the exporter, Ballins was confident that suitable arrangements could be negotiated to ensure a monthly container service.

Fresh fruits, meat and other products would have been air-freighted, though having space guaranteed on Air New Zealand's DC10 was not certain.

Hong Kong entrepreneurs doubted the scheme's viability from the beginnin g, pointing out that the largest luxury supermarket — recently opened — occupies only 929 square metres in the central business district.

The recent death of Ballin's chief executive and a worse than anticipated trading performance, including a $40,000 loss on a new fast-food chain, have contributed to the company's hesitancy. Negotiations to pass the concept on to a consortium of other firms also broke down.

Air New Zealand silent on hotel project

AIR New Zealand won't comment on a claim in the authoritative travel trade newsletter, *Travelgram*, that it is involved in a deal to build a high-rise Sheraton Hotel near the Symonds and Queen Streets corner in Auckland.

The *Travelgram* story said a deal on capital formation, including Air New Zealand, is imminent, that an announcement would be made within days and that a start would be made to the building within two months.

The other principals involved are the Development Finance Corporation and the proprietor of the Devon Motor Lodge in New Plymouth, Rob Tennant. They have been negotiating for months on the construction of a high-rise hotel on land already acquired. The hotel would be managed by the international Sheraton company.

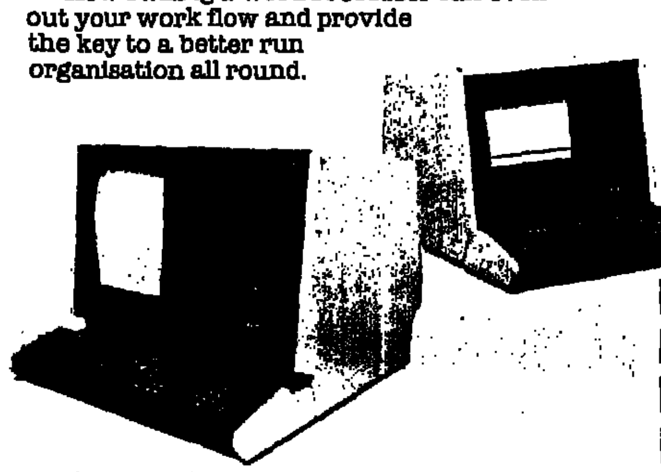
It was understood that the shortfall on finance a few weeks ago was around $5 million. It is probably to fill this gap that Air New Zealand has joined the negotiations.

Air New Zealand had no comment to make, and Tennant would say only: "There will be no statement until the package is put together. From the practical point of view in this sort of deal you don't move until every "i" is dotted."

DFC general manager John Hunn denied 40 per cent equity participation by Air New Zealand which was claimed by one source, but did not deny the airline's participation in negotiations. He implied negotiations are well advanced and that DFC was "very keen to see the project go ahead."

Air New Zealand has gone on record as saying the shortage of international level hotel accommodation in Auckland has cost it millions of dollars in revenue.

Now that it has started a service (with JAL) between Auckland and Tokyo it will be even more interested in ensuring adequate accommodation for large groups of tourists. A Sheraton property would be ideal because it is a Japanese-owned corporation and the Japanese already use the huge Sheraton complex in Honolulu and many other points around the Pacific and the United States.



Seminar on time saving

AMERICAN management efficiency expert Alec MacKenzie will tutor New Zealand executives on how to stop wasting time when he runs a day-long management seminar in Wellington this month.

MacKenzie, author of a number of executive time-and-motion books including the top-selling *The Time Trap*, is charging $120 for a one-day presentation at the James Cook Hotel.

The week

Southland put all its eggs in the Comalco basket

A BELATED effort by Southland promotional interests to encourage the Fletcher-CSR-Alusuisse consortium to establish its 200,000-tonne aluminium smelter in the province seems doomed to failure.

Southland interests, led by the Southland United Council, representing all territorial local authorities, solidly plumped for Comalco Ltd's second smelter proposal at Tiwai Point when the South Island power "surplus" was being auctioned off.

At a public meeting earlier this year, they put all their eggs in one basket and told the Government the second smelter in the South Island should be built by Comalco at Tiwai Point.

The united council made submissions to Wellington on the desirability of the Comalco proposals. But as the Australian-based company did not even have the chance to discuss its proposals with the Government after they were submitted, it was obviously never in the hunt.

There were good reasons for such support. Many of the facilities are already at Tiwai and the area is a good one environmentally, a factor even the Nature Conservation Council has noted.

But the Government's decision to allow Fletchers to proceed, preferably in Otago, left the Southland interests with a basket of broken eggs.

Fletcher representatives have been to Southland to check over local sites.

The only local authority which gave them support or encouragement was the Southland Harbour Board. That welcome paled beside that extended by Otago business interests, in spite of the strong conservation lobby there.

Since the decision, the Southland interests have been sifting through the pieces and preparing a case for the second smelter to be established locally.

Initially, three sites were put forward — Riverton, north of Invercargill, and Awarua, between Invercargill and Bluff, which will become the future heavy industry site for the province.

Tiwai Point was suggested, but *NBR* understands that both Fletchers and Comalco would be extremely reluctant to have their factories virtually alongside each other.

Fletchers would have to share facilities now used exclusively by New Zealand Aluminium Smelters Ltd, and Comalco does not relish the thought of competing further for labour in a province where a large part of the workforce is already unsettled through the seasonal nature of the freezing industry.

But the Riverton and north of Invercargill sites were quickly ruled out as unacceptable. The Awarua site remains barely a possibility.

All this means an uphill struggle for the Southland promoters trying to interest Fletcher representatives in the province, and local leaders are privately saying that the battle is already lost.

In any event, with the third potline at Tiwai Point, the province will still have a larger smelter than that proposed by Fletchers, and the building of that potline means a further 350 jobs in Southland.

Locals believe that if the environmental issues become too "hot" in Otago, the Fletchers consortium is more likely to look at sites further north, such as Timaru or Oamaru where such developments would be warmly welcomed.

Nevertheless, detailed proposals are being drawn up for Fletchers, outlining the advantages of establishing the second smelter in Southland.

But as more than one local leader has said, it seems a case of too little, too late. A broader approach initially would have given the province a stronger hand.

But even that would not have overcome the problem of where the second smelter would be sited in the deepest South.

On top of that, conservationists' outcries would have been a certainty. The second smelter proposal was never enthusiastically received in Southland among the general public, and there has been little reaction to the news that Comalco missed out.

Nobody doubts the importance of the present smelter to the economic welfare of Invercargill. But it could be clearly seen that having two need not necessarily double the benefits.

The general reaction appears to be, in spite of the enthusiasm of the United Council and other local bodies, that the Tiwai smelter is being expanded to its planned maximum output, and Southland should be satisfied with that.

Trials give insights into import licence system

From Page 1

Along with seven others granted, the licences totalled $8865.

In the 1975-76 licensing year, Wong made 66 applications and 59 were granted, 20 of them by Pound, for $45,793. A year later 91 applications were filled and Pound granted all but one to the value of $113,645. In the 1977-78 year, 72 applications were made. Four were rejected by Pound, the rest granted to a value of $138,555.

The 1975-76 and 1976-77 licensing years, beginning from July 1, were periods of economic restraint when the Government ordered a stricter import regime.

At the last trial, the Crown produced evidence to show that Pound had issued his good friend Wong Kay Hing with non-basic special licences totalling $150,000 between 1975 and his retirement in 1978.

The Crown also pointed out that Hing's non-basic special licences had dropped significantly since Pound retired.

Regardless of the outcome, none of the juries were satisfied that the evidence was sufficient to meet the criteria explained by Mr Justice Quilliam to obtain a conviction. But the trials gave a remarkable insight into the import licensing system.

- A system that appeared to work best when the wheels were well oiled with lunches, parties and 'close personal contact between importers and officers handling licence applications.
- Where a licensing officer would handle all the applications made by one importer despite promotion to a higher level where he might rightly feel no longer obliged to deal with minor decisions that could be made by his subordinates.
- Where senior officers seemed to have little knowledge of the Government's overall policy and how that was being interpreted in regard to particular item codes.
- Where senior officers decided they knew best, despite Government policy to the contrary.
- Where some licensing officers were prepared to state in court they would have made similar decisions to Pound.

The results — the Crown maintained — were:

- Applications made in August 1975 by Wong being rejected by one officer but resubmitted a month later and approved by Pound;
- Licences worth $25,000 granted to Wong after Pound's authority as a licensing officer had been revoked for which part of the documentation is missing from Trade and Industry's files;
- Applications that seemed to be lodged in large batches and processed over the next four or five months in smaller batches;
- Applications that seemed to get caught up in the seemed to get caught up$ in the system till stirred by some event, such as the booking by Hing of tickets for the Melbourne Cup in 1976 and 1977, though both trips were subsequently paid for by Pound;
- Other applications succeeding — coinciding with Pound's birthdays — after being lodged for some time. Evidence had been given that the Pound and Hing families frequently celebrated each other's birthdays because their friendship stretched back over 20 years.

None was sufficient to convince any of the juries.

To be satisfied that there was a conspiracy to defraud, Mr Justice Quilliam said, it was not sufficient for the Crown to show only that Pound had exceeded his authority.

It also had to be proved beyond reasonable doubt that the importers and Pound deliberately got together with intent to defraud the public.

Counsel for all three importers maintained that the secret workings of the Trade and Industry Department in administering the import licensing system policies meant there was no possible way an importer could be said to know that he was defrauding the public when his only intention was to further his business interests by getting the maximum licence allocation.

Comment

Editorial

FORMER Trade and Industry Department officer Brian Pound will not face further trials on conspiracy charges, now that the Solicitor-General has decided to stay proceedings after three juries in the Wellington High Court had failed to reach verdicts.

But the system of import licensing which he administered cannot be allowed to escape indictment.

Enough light has been cast on our controversial method of import control in recent years to expose a system that — by granting commercial privileges which favour some businessmen and disadvantage others — becomes vulnerable to the abuse that has resulted in irregularities and impropriety. Both the La Varis affair and the Pound trials have revealed the system's administrative shortcomings; the Millitron decision makes clear weaknesses in the decision-making procedures. There is evidence, too, that the system has been used as a political pork-barrel, from which goodies have been given in return for services rendered to the party that happens to be the Government of the day.

The system stands indicted on a number of counts.

• It wastes money because it obliges importers to curry favour with bureaucrats. Many importers insist that you don't get an import licence without pushing your interests — and they don't take civil servants out to lunch because they enjoy their charm and conversation. The cost ultimately is borne by the consumer.

• It provides a commercial advantage that can be sold (trading in licences is illegal, but officials turn a blind eye). Thus Kevin Meates sold a $50,000 licence for $26,000 — a 60 per cent mark-up for a licence-holder who did nothing but sell the licence before the goods were even ordered.

• It is a secret system. The department not only keeps the names of import licence-holders secret but it also keeps secret the policy under which licences are granted. The import licence schedule is public, but department officers have another book — kept confidential — with pages of policy guidelines to complement the public schedule. The consumers who pay dearly to the favoured parties, and who therefore have a vital interest in the way the system works and the benefits it bestows, are kept in the dark.

• Goods covered by import licensing invariably are in short supply and the importers — unless they are under price control — can charge what they like for them.

• There is no incentive for importers to shop around for the cheapest goods. It can pay them — for example — to bring in one spare part worth $5 rather than two of the same parts for $2.50 each. The same profit is made for one $5 part as for two $2.50 parts with half the handling costs.

• The Pound trials and the La Varis inquiry showed that import licence officers exercise a wide discretion. Thus the system is one of rule by men, not rule by law, which makes it vulnerable if not to corrupt practices, then to suspicions of corruption. And because of the secrecy, Trade and Industry officials may be suspected of irregularity when in fact they have been scrupulously honest.

• Import licensing invites the displeasure of our trading partners. It is against the spirit of GATT because it imposes a quantitative restriction on imports.

The recent trials — stemming from discoveries made during the Ombudsman's inquiry into the La Varis affair — make it obvious that the department is not its own best watchdog.

Early in 1978, Trade and Industry Minister Lance Adams-Schneider said he was satisfied with the information being supplied to him by his department head about allegations of irregularities in the handling of the La Varis licences. He had not sought an inquiry, he told reporters. But he suggested an inquiry was justified into a news media that was obviously embarrassing him.

"I want to make it quite clear I have every confidence in the integrity of my officers as far as import licensing applications are concerned," Adams-Schneider said then. He had seen a report prepared by department secretary Harry Clark, and despite being made aware of subsequent allegations, he insisted it was "quite clear" there was no dirt under the departmental carpet. His only worry was that confidential information had been made public.

Indeed, Adams-Schneider and Prime Minister Rob Muldoon rebuked *NBR* reporter Warren Berryman and TV One's Spencer Jolly for what they claimed was the "harrassing" of Trade and Industry staff. But if it had not been for the continuing disclosures by those and other reporters about the department's handling of the La Varis company's import licences, there would have been no Ombudsman's inquiry. And if there had been no Ombudsman's inquiry, there might have been no investigation into the administrative work of Brian Pound.

Last week, Clarke finally conceded that one of his top men — apart from the questions at issue in the three trials — had "acted improperly in several respects" from the department's viewpoint. Pound had failed to follow the proper procedures on several occasions when personally handling import licences ... policies laid down by the Government and by the Minister of Trade and Industry frequently had not been followed ... he had approved licences when he no longer had delegated authority ... he had close personal relationships with two businessmen, and in those circumstances should have made that known to senior officers and not dealt with applications from those people ... he had been wrong to accept a trip to China paid for by an importer when he was still an officer in the department.

Two years earlier, the Ombudsman found errors of judgement in the La Varis case which resulted "materially" from the cumulative effect on the departmental officers concerned of the former Taupo MP's personal intervention with them and with the Minister, together with the emphasis placed by La Varis on his health problems. Among other influences, it was probable that the officers had been over-anxious to please because of "the Minister's indication that he wished to be informed of the outcome", the Ombudsman said.

Essentially, he complained that normal procedures were not followed in the handling of the La Varis licences.

How many more investigations and trials do we need to expose the folly of this expensive system of protection?

The Pound case had many lessons for his department, Clarke said. Some procedures had been tightened; other changes in the system had been made ... It was almost a case of *deja vu*. In October 1978, the department announced it was moving to institute some of the reforms suggested by the Ombudsman's report. For example, it was reviewing the extent to which secrecy must shroud its activities. It hasn't gone far on that score.

The irony for the department's integrity is that an open system probably would have deterred Pound from acting improperly for as long as he did — and if it failed to do that would have ensured his irregular actions were soon exposed.

In the past, *NBR* has urged greater frankness both to enable public understanding of departmental procedures and discourage impropriety, and to protect the integrity of civil servants who may become vulnerable to public suspicion when they grant commercial favours — as in the La Varis case — to people with political connections. Public suspicion of power is allayed only by a constant scrutiny of the Government and its administration. As London's *Sunday Times* has put it: "Politicians must prefer a managed press. They argue that free reporting makes it more difficult to do their job. So it does. But it also makes it much more difficult to do their job badly."

— Bob Edlin

Without word of a lie

The night Talboys missed his chance

AFTER the Government caucus meeting on July 31, Deputy Prime Minister Brian Talboys said the Government wanted to locate American consumer crusader Ralph Nader for evidence of telephone tapping in this country. But even the SIS wasn't up to tracking down Citizen Ralph, apparently, because Talboys conceded: "Nobody knows where he is."

Hundreds of people, of course, took the opportunity to listen to Nader during his brief New Zealand tour at functions that were far from secret (what else, from a staunch advocate of open government?)

And the fact that Attorney-General Jim McLay was able to send Nader a telegram expressing concern at the phone-tapping claims suggests he had no problem locating the man.

According to an official in Talboys' office, Prime Minister Rob Muldoon had been advised in advance by TVNZ staff of Nader's visit, and in turn had referred the matter to Talboys in his capacity as acting PM, but there had been a problem is setting up a meeting at a suitable time; Talboys had meetings when Nader was free, Nader had meetings on a tight schedule when Talboys was free.

The Thursday of that caucus meeting had looked promising, and it had been thought the two would meet then, but nothing officially was arranged. And hopes that the two could get together at short notice had been thwarted when Nader became tied up in a television interview.

Thus no meeting took place, the official said.

But there was at least one golden opportunity for Talboys to express his grievances face to face. Nader was taken by Labour's Ann Hercus and Geoff Palmer into the VIP lounge at Wellington airport while he awaited a homeward flight on the Friday evening. She sat him down within a few feet of Talboys, McLay and Health Minister Gair.

McLay promptly introduced himself to Nader, Gair followed suit, and they enjoyed what appeared to be a convivial chat (which subsequently involved Agriculture Minister Duncan MacIntyre)

Talboys wandered off to another corner of the room to talk with fellow politicians.

Getting to the meat of takeover talk

PETER Norman, chairman of the Borthwicks New Zealand advisory board, tells us his company has received "no approach from Waitaki at all".

He said he was conscious of the widespread speculation that Waitaki is bidding to take over Borthwicks. But even if it was based on fact, "it would not be my job to comment. It would be the board in London that did that. Any comment I can make would be academic".

But the gossip remains that the fight is on, but that Borthwicks is keen to stop Waitaki from taking over the international organisation.

One possible ploy — it may try to sell its New Zealand arm to Canterbury Frozen Meat.

CFM can't be comfortable about the takeover talk. Waitaki would take over the marketing of its meat if it takes over Borthwicks. CFM is purely a meat processor, and Borthwicks now markets its production.

But there was no speculation in his company about CFM, Norman told us.

Admen took insufficient shine to *Super Star*

AFTER just three issues, the weekly *Super Star Mirror* faded out.

Publisher Alan Hitchins — phone-smashing former *Sunday News* editor recently returned from a stint with press mogul Rupert Murdoch, said *Super Star* suspended publication because of the lack of support from the ad agencies. Agencies report they were not happy with the quality of the tabloid.

"There was nothing wrong with the publication so far as we were concerned. We just couldn't convince the agencies," Hitchens said.

He said sales were okay. "From a print run of 25,000 we only got 8 to 10 per cent returns from distribution points spread from Turangi to North Auckland," he said.

But "we were promised a lot of ads that didn't eventuate. It was pointless pouring in money without advertising support."

Hitchens said *Super Star* had been suspended until he could gain ad agency support. He would then have another go.

In the meantime Hitchens is looking for freelance work. It is understood he might return to Murdoch's publications if all else fails.

Censorship in newspaper office

JOURNALISTS tend to lose those "publish and be damned" instincts when it comes to the affairs of their own union.

Normally, they relish the chance to tell the public all — well, as much as they can dig up — about everything from Marginal Lands Board scandals to the winners of the scone contest at the local WDFF meeting.

But that talent for revelation can become a penchant for censorship when union matters are the focus of quizzical interest. Thus journalists in at least one branch of the union were in the dark about the reasons behind NZJU secretary Mike Conway's tendering his resignation, then being suspended on pay by the national council, till they read *NBR* last week.

The union representative in one newspaper office, concerned about the sensibilities of his flock, apparently, decided the news was a bit too grim for consumption by the rank and file. He clipped out the article so none of his brothers (and sisters) could read it.

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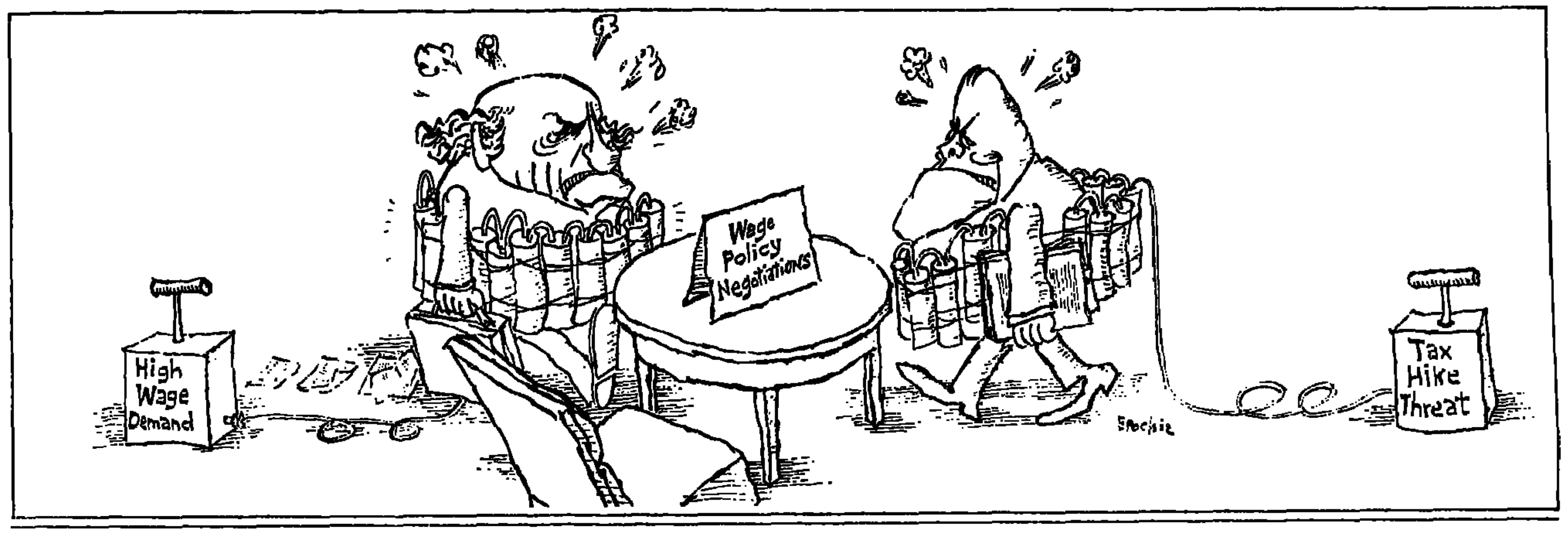
Brockie's view



Comment

Identifying exceptions the key to effective control

by J Roger Jenkins

CONTROL remains one of the most baffling obstacles between a manager and the effective conduct of his business. It shouldn't be. But it is hard to think of any other single factor which creates so much heartburn and cost as control.

At the heart of the problem lies the widely held belief that to control things — to control a pattern of events or products — you must control every event, every item.

So, at the outset, we find an overwhelming tendency for the manager to try to control the whole swathe. In other words, the manager finds himself inexorably bound up with Murphy's Law: if something can conceivably go wrong, it will.

In fact, things generally move correctly and according to plan. The general management framework within which the great majority of people try to discharge their duties with a degree of conscientiousness will ensure that business conduct does follow a general plan.

Yet so much of New Zealand management is involved in uprooting the tree to examine the roots. This constant emphasis on all-embracing control leads to giant problems with the control mechanisms themselves.

The huge over-runs in computing costs which have become such a feature of both the public and the private sector are a direct result of controll overkill.

The key to effective control, in my experience, is to identify the exceptions to the planned state of affairs. This brings to control the precision of the rifle rather than the scatter effects of the shotgun.

One obvious management lesson in the last decade is that resources must be concentrated on the priority area. The haphazard application of resource, surely, has been one of the great problems in the New Zealand experience over that period.

This applies to control. Control mechanisms must be concentrated on what is going wrong and not diluted over the broad plain of things proceeding to plan.

Control systems have grown so fashionable in the last four years that management increasingly has lost sight of the objectives. The sheer complexity of the set-ups has clouded what it is all about — results.

A control system, whether electronic or manual, is non-productive. It remains an adjunct to the broad sweep of production. The great psychological problem in New Zealand is to imagine that in some ways these glamorous machines are somehow a profit centre in themselves.

It is true that some firms not directly involved as computer manufacturers or bureau houses may gain some financial return by hiring out surplus time. But for the overwhelming majority of users, the computer does not earn money. It may save you money. But it will not earn it.

Indeed, the control of every component in a plan of action is a relatively new innovation in industrial history. The sheer thrust of the marketing drives of the electronic data processing industry is chiefly responsible for broad spread control.

By today's standards such projects as D Day and the Berlin airlift would have been impossible without millions of megabytes of computing power. But, as we know, these unbelievable movements of men and materials were accomplished successfully.

These operations were made possible through exception control. The plan was laid out. Built into the great scheme were devices for controlling and identifying departures from the plan — exceptions.

It is true that through iron discipline, system and rigid job definition — the military can identify departures from the norm, and then apply corrective action, faster than most organisations. But the obvious conclusion is that a rigorous management system using exception control as its main corrective tool was, in fact, highly effective.

A key advantage of exception control is that you avoid the middleman who, today, is generally someone connected with accountancy or computing professions. The question so often today is: Who controls the controller?

Strikes by key computer personnel in Britain [illegible] beholden to its electronic data control specialists.

Even so, computer people in New Zealand generally agree that inventory control is the main priority area for any system of control. Over-anxious to apply their new machinery, we have watched as both the public and private sector rush to put their payrolls on a complex electronic system.

They would have been so much wiser to first address the inventory issue and let the pay clerk continue, competently, with the pay slips. Payroll, in fact, is too easy a task to allot the still-expensive computer.

Again, we find that the desire to impose a mesh of control over everything renders a fundamental task — such as the payroll — a computer priority.

The old-style pay clerk's main duty was to concentrate on the exceptions to the payroll. The vast bulk of the payroll was routine. Even if the payroll is computerised the outdated trend, most notable in the public service, for staff to be paid in notes and coin means that the pay clerk must become involved anyway.

The essence of the control by exception is the signal that alerts the manager to the problem sometime before it becomes a problem.

In days gone by this signal was often sounded by the book-keeper or warehouseman. Until perhaps 15 years ago these people would never dream of letting the sun set on an unbalanced book.

They knew the precise status of everything at the close of every day. Often they could rely on intuition, based on long experience.

The high degree of job mobility, of course, has brought that era to an end — but not entirely. The imperative today for total control, centralised control of everything, has much to do with the general trend for the individual to hand over an increasing proportion of the control over his own destiny to the state.

We want to be looked after. Accordingly, we find a general trend to control an increasing proportion of industrial and commercial activity, even as that activity continues to follow its original critical path toward an objective.

In effect, then, we find that perhaps 80 per cent of control power is not needed. It is diffused over objects and events that simply do not need controlling.

What is control? It is simply regulation, holding things in check. There is no great complexity to it. Yet in so many instances the control process so often becomes a giant of a problem in itself.

There are three basic steps to control. The first is the laying down of clear-cut standards. The second is the feedback, the broad run of events, the account of what is going on. The third step is to derive from this feedback, the exceptions, the deviations from the planned series of events.

The exceptions are what must be made subject to control. The "control" must not be diffused and diluted over the broad spectrum performing according to plan.

J Roger Jenkins is a Wellington-based management systems specialist.

Letters

Heard of Herzberg?

COLIN James' article, "Job dissatisfaction comes into focus", caused me to check the date on my copy of the *NBR*. No, it was correct — July 14 1980. The content of the article however, implied a breakthrough in our understanding of the causes of job satisfaction and dissatisfaction. Unfortunately the views presented were none other than the well-worn theory of Prof Frederick Herzberg (c 1959.)

It is not uncommon to hear of an alleged time-lag in the introduction of new ideas to New Zealand but the Heylen Research Centre seems to have taken a long time to "discover" Herzberg. The two-factory theory of motivation has been around for 20 years, been heavily criticised since its introduction and largely dismissed by many behavioural scientists. This seems a classic case of rediscovering the wheel.

It was Herzberg (not Fink-Jenson) who proposed that job dissatisfaction was associated with certain extrinsic, contextual work factors — poor company policy and administration, supervision, pay, working conditions and so on.

Herzberg called these "hygiene" factors. A separate set of factors (termed "motivators" by Herzberg) were associated with positive satisfaction. These were intrinsic, work content factors — achievement, recognition, advancement, and so on.

NBR readers should realise that the Heylen Research Centres "discoveries", as reported, are both dated and flawed. Herzberg's work has been severely criticised — for the suspect methodology employed in the original study, the narrowness of sample used and for the obvious over-simplification of a complex process such as motivation.

The report may also mislead when it implies that satisfaction (morale, satisfaction and contentment seen to be used interchangeably) will lead to performance. The simplicity of this relationship has an obvious appeal but is not supported by the evidence. The relationship is far more complex (see Charles Greene, *Business Horizons, October 1972*). The article refers to two groups who were "contented in their work". Is the Heylen Centre proposing a "contentedness — performance" theory?

Herzberg's work is viewed by many as an important contribution to our understanding of motivation (or more accurately job satisfaction).

The two-factor theory did point to the importance of certain factors in the work place as they influenced satisfaction. Another view, however, is that Herzberg's gross over-simplifications set back the understanding of the process of motivation.

In 1980, few behavioural scientists in New Zealand would react with much surprise or interest to the Heylen Research Centres "discoveries".

W G Jones
Hamilton

Replying to allegations

I TAKE strong exception to your editorial (*NBR* July 28) in which you allege that I gave blatantly false information to the Parliamentary journalists. I had no intention of building up public expectations of an agreement between the Fletcher consortium and the Government on the aluminium smelter. Government had received three proposals which were being assessed. The Fletcher consortium proposal was the most attractive to Government but both the Comalco proposal and the Reynolds aluminium proposal have been carefully looked at by the Government which was prepared to continue negotiations with both of the alternatives if a number of commitments could not be obtained from the Fletcher consortium. Indeed, to have told the Press Gallery that I had expected an agreement would have been going much too far, and would have indeed weakened my negotiating position with Fletchers and their partners.

During discussions with the Fletcher consortium a number of issues were raised by both sides which could well have frustrated any agreement on price and the allocation of electricity. These issues required consultation with overseas principals by telephone during the conferences and it would not have been a surprise to me if Government was not able to get an agreement with Fletchers and had proceeded with negotiations with the other two proponents.

As it was, the announcement made simply records that the Government has reached agreement with Fletchers on price and will continue to negotiate heads of agreement which still require resolution of a number of very important factors. If agreement cannot be reached on these other matters, then it is still possible that Government would resume negotiations with the other proponents.

The conclusions which you reached in your editorial show scant regard for the actual circumstances and those members of the Parliamentary Press Gallery who were present and with whom I have discussed the matter agree with me.

W F Birch
Minister of Energy

THE editorial comment was based on your reported comments at 3pm and 4.30pm on the day the price deal was agreed and their contrast with the statement issued by you and Trade and Industry Minister Lance Adams-Schneider after your meeting with Fletcher representatives.

At 3pm, you told journalists there was no sign of an agreement and it would be "foolish to suggest anything is in the wind at this time".

At 4.30pm — just before meeting the Fletcher officials — you said it was just another in a continuing series of negotiations on power price. Even agreement was reached on the power price, Government was still negotiating with the Reynolds organisation. Again, you were emphasising nothing important was in the wind.

Then came the joint announcement of a deal with Fletchers.

If your earlier comments to curious journalists had been "no comment" there would have been no cause to suggest reporters were misled. — Editor.

Correction

FAYE Torrance's letter answer to Mr Juke's (*NBR* July 28) should read: "Has it occurred that Venn Young has truth and did not in fact set about to do anything honest." The sentence incorrectly published week's letter's page.

Politics

The waxing and waning of Labour's core support

by Colin James

IT is frequently alleged that the Labour Party has been losing touch with its traditional support base, the manual worker.

The National Party, eyes shining with crocodile tears of concern for the masses, is particularly prone to making this diagnosis.

President George Chapman has made much of the effect of the Anderton new broom and the rise of a so-called left wing of intellectuals with bright ideas but precious little real contact with the people they are supposed to represent.

This, of course, is self-serving election propaganda. Though the policy now beginning to gell in Labour circles has been moving away from traditional Labour orthodoxy, it remains by and large attentive principally to the needs of lower-income manual workers.

But Chapman's claims are not groundless. As I have repeatedly mentioned in this column, such survey evidence as there is suggests that Labour's grip on the higher-skilled manual workers — its founding class — is vulnerable.

In 1975 a post-election survey by the Heylen organisation accorded that vulnerability to National. In 1978 the post-election survey suggested it was Social Credit that was doing the damage.

To some extent one might expect some softness of support for Labour in this class. Many skilled manual workers moonlight or go out on their own account — thus climbing the income and/or social ladder a little (towards National) or taking on the sorts of problems that best suit small businesses and push people in Social Credit's direction.

But it also raised the question of whether the long drift by Labour away from its traditional dogma — its liberal drift away from its conservative support base — is increasingly shaking loose its middle-ground core.

The 1975 and 1978 surveys were not conclusive because the subsamples covering the individual occupation categories were not big enough.

However, since December, last year, the Heylen-*National Business Review* monthly poll data have been cross-tabulated with occupational data. And the first seven data tend to confirm the 1975 and 1978 information.

The graph shows the Labour lead or lag compared with National in four key occupational categories and among the total sample (line E).

Line A is what might be called the "higher white collar" class — people in the professions and in directorial and managerial positions. National has had a fairly consistent 20 per cent lead over the past eight months, as might be expected.

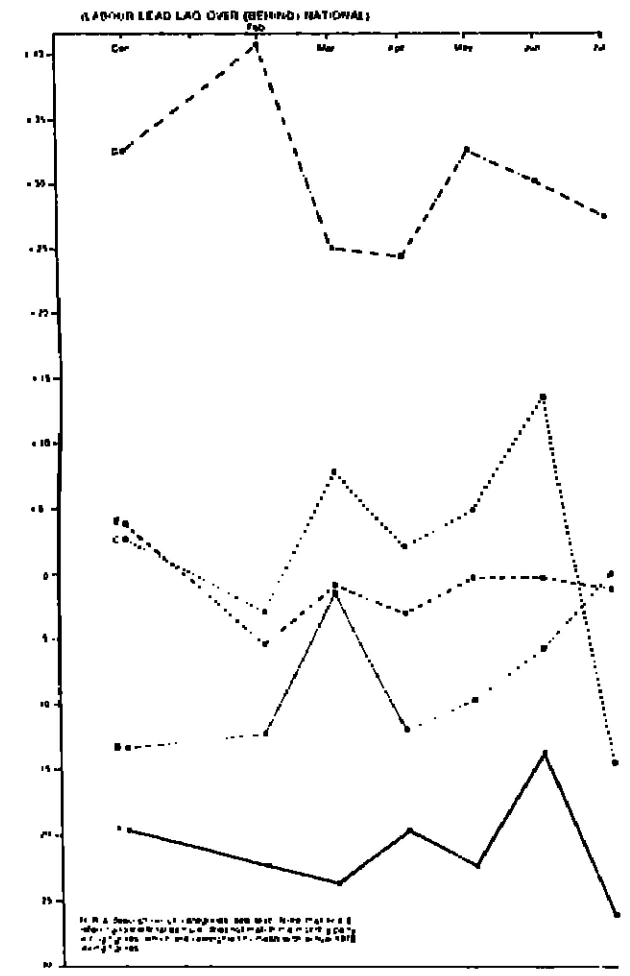
National has also led in the next category (line B), the "lower white collar" class — clerical workers, people in service occupations, salespeople of various sorts.

But in this category, there does seem to have been some drift to Labour.

There appears to have been some drift the other way in line D — the "lower manual workers" with low or no skills. Labour's lead of around 30 per cent appears to be declining.

Labour did seem to be gaining ground in the "higher manual worker" category (line C) — those with high skills who count themselves as being tradesmen or craftsmen.

That was up to June. But in July the picture was muddied somewhat.



A pointer can be found in the table. It measures the "higher manual worker" category as a percentage of the sample as a whole, of "loyal" voters for the three main parties (that is, those who voted for one of them in 1978 and now say they would vote the same way) and "new" voters for those parties — recruits either from other parties, non-voting or from among first-time voters ineligible in 1978.

The table shows that higher manual workers have fairly consistently formed a lower percentage of recruits to Labour than they represent among loyalists. The percentage of recruits in that category is also by and large below the percentage of those leaving the party.

This suggests that Labour's overall hold on this group may be lessening — despite its efforts to attract union support.

The picture is confirmed in the bottom two lines, showing Labour's lead-lag in the category as a whole and among "new" voters in the category. Labour performs fairly consistently worse among the "new" voters than in the category as a whole.

Conversely, higher manual workers are a higher proportion of "new" National voters than "loyals" and by and large a lower proportion than among "leavers".

This suggests National is adding to its relative support in this group. Social Credit, like Labour, appears to be losing relative support. But it is noticeable (perhaps significant) that overall this class is a higher percentage of Social Credit support than of the other two parties.

How ominous is this picture for Labour? Does it support the theory that it is losing touch with the workers?

Not necessarily. In the lower manual worker class, Labour appears to be recruiting faster than its "loyal" share.

On the other hand, so do National and Social Credit, indicating that this is perhaps partly a transitional class, voters tending to move out into other classes as they get older.

And Labour, it appears from the poll data, is shedding people in this category at a slower rate than it is gaining them, whereas National is losing them faster.

Among the lower white collar category the picture is clouded, though there does seem to have been a tendency for Labour to recruit better and National worse than their "loyal" figures would suggest they should.

No party has been recruiting as well in the higher white collar class as "loyal" figures suggest they should — but National is maintaining its clear "loyal" lead over Labour among recruits.

The data provides food for thought for Labour — though with the ever-present warning that the figures must be treated with care.

MARGINS FOR RESPONSIBILITY NARROW

The margin between salaries paid to senior executives and those at lower levels continues to narrow. This trend is evident from the PA Greenwood Salary Survey. In March 1979, the before tax salary of the Senior Shorthand Typist was just under 30% of the Chief Executive's. One year later (In March 1980) it has moved closer to 32%. In another example, the salary of a Design Draftsman has moved in twelve months from 54% to 56% of that of the Senior Executive's in charge of the Engineering Function.

Similar movements can be seen in salaries in the Manufacturing and Operations Functions.

Further information on the survey is on Page 4 of this issue.

Economics

Moving from obtuse abuse to informed debate

Economics Correspondent

ECONOMISTS have a tendency to disappear from the scene whenever an important economic debate gets underway.

It seems economists are extremely vain creatures who suffer painfully under the scrutiny of public opinion. Despite their tortoise-like qualities, short necks and thick shells, economists appear frightened of attack and scurry away when questioned about their work. After years of education, they missed the basic premise that sticks and stones may break my bones but names will never hurt me.

There is a new breed of economists willing to put their necks on the line. Some have become advocates for interest groups.

Peter Harris of the Public Service Association, Max Bradford and Bill Poole of the Employers Federation, Rob Campbell of the Drivers Federation, Don Brash of the Planning Council and Geoff Bertram of the Coalition for Open Government are among those who share the limelight.

And others, such as Professor van Moeseke of Otago University, have published research results gained while working independently from any organisation.

Van Moeseke's experience provides some useful insights into the dificulties confronting economists who wish to stimulate discussion. He went to some effort to provide the public with facts and figures so that the Government's decision to develop a new energy smelter could be freely debated. He might think twice before he produces research results for public debate again.

Instead of debating van Moeseke's research, members of the Government debated his credibility. National Development Minister, Bill Birch even went so far as to say van Moeseke was lying.

Van Moeseke may have the economics profession to thank for some of the public derision that has been heaped in his direction.

For some unknown reason, economists have developed a language which is extremely difficult to comprehend. The average layperson understands French better than they understand economese. This language problem distances economists from the public at large, surrounding them with mystique.

It is this mystique which makes the public (and their political representatives) harbour both respect and fear of the economist's prognosis.

Since many economists refuse to communicate in a commonly understood language and the public has stubbornly refused to get involved in economic skirmishes, the worth of an economist's argument depends on the credibility of the establishment the economist is associated with and the personality of the economist.

But those economists who distance themselves most from the common masses tend to be held in the greatest respect. University economists rate the highest. They are rewarded with high salaries and three months annual holiday to speak an academic version of economese and keep their fingers (and figures) out of the policy making arena.

Van Moeseke has broken with convention by coming down out of his ivory tower although all of his training gives him the expertise for analysing issues like the costs and benefits of development projects.

Those, like Brian Easton of Canterbury University, who bravely enter the public arena by writing for widely read publications like *The Listener*, find themselves undermined by their other academic colleagues. Are they jealous of Easton's fame or his ability to earn an extra bob? More likely it is something more fundamental.

If Easton succeeds in communicating economic ideas to the layperson, he may destroy some of the mystique that gives economists their stature.

Good politicians make full use of the mystery that surrounds economists. They give their stamp of approval to those willing to keep quiet unless spoken to and there are a few lucrative positions for those who can articulate the authorised version of policy.

The Planning Council was set up with the express purpose of communicating economic ideas and generating economic debate. Certainly the council's reports have been written in a language which is accessible to anybody interested enough to read them.

But while the council is fixated with communicating, it seems that what it communicates is of little importance. Instead of beating an economic argument into shape, the Planning Council beats the guts out of it. A recent comparison of the draft report with the final report on *Investment* (see Peter O'Brien, *NBR* July 21) shows that the Council's reports are edited to tone down any arguments which may be contentious.

Where Planning Council researchers strain too hard for a false intimacy, Treasury economists habe always distanced themselves from the common masses. Their excuse is that they are employed to advise the Government. To enter into the foray of economic debate might place them in the difficult position of embarrassing a minister or two.

And the public seems to have an unquestioned faith in Treasury research. The sketchy details about economic policies written by Treasury into the Budget are treated like gospel writings. But with each passing year of near stagnant economic growth it is odd that the public swallows its dose of Budget policy so easily.

Treasury economists have been known to use information confidential to themselves, to gain advantage in a public argument. Last year a confidential Treasury report which showed New Zealand might have up to 300,000 out of work by 1985 got widespread press coverage.

But this year, a Treasury official subpoenaed by the Employers Federation for a hearing before the Arbitration Court, claimed the predictions of 300,000 unemployed in five years time were now out of date. Because nobody else appearing before the court knew the details of the Treasury forecast, it was impossible to argue with Treasury's changed assumptions. Although the official was presented as an impartial observer, the Employers Federation knew full well that his argument would serve to weaken the Federation of Labour case for a new technology clause in the Clerical Workers award.

The public's fear of economists is well justified when they exercise their clout in this brutish manner. There are some very talented economists working for Treasury, and the official speaking before the Arbitration Court is one of the best. So what is there to fear from letting the public in on the details that inform Treasury decisions so that they can make up their own minds about whether a particular prediction or policy is justified.

One branch of the Government which makes a substantial contribution to the debate of economic issues is the Reserve Bank. The Bank's daily news service, monthly bulletins and occasional research papers are provided free of charge. The trouble is that few members of the public (including most economists) understand monetary economics sufficiently to take advantage of the bank's free goods.

Ray White, governor of the Reserve Bank, is more visible than most public servant economists, pushing his favourite hobby horse – the development of a new unit of account called the "real".

While he speaks quite openly about this esoteric issue, he avoids clashes on subjects such as devaluation, Government stock issues which compete for private sector funds or the extent to which attractive stock issues push up interest rates.

Another group in the business of providing facts and figures for economic debate is the Institute of Economic Research. Their *Quarterly Predictions* and *Survey of Business Opinion* could provide fodder for debate about the state of the economy, if anybody ever read them. Trouble is, few do.

When NZIER's forecasts are agreeable to the Government, they are held in great esteem. But just let NZIER come out with some unflattering remarks about Government policy and Government politicians throw a tonne of bricks in its direction.

NZIER has played an interesting role in the energy debate. Energy Minister, Bill Birch and Trade and Industry's Minister Lance Adam-Schneider refer to NZIER research on those occasions that they feel the need of anlysis to back up remarks about the economic benefits

Van Moeseke exposed his hand by issuing his research results to the public. *NZIER* claims that his work was generally inaccurate, but has yet to publish any substantive research so the public an judge for itself.

The Association of Economists met last week to give a vote of confidence to van Moeseke. It is encouraging to see professional economists supporting a member who has exposed the whole discipline to public scrutiny.

But we will not know whether economists have truly come of age until Government economists and NZIER expose their hands in the energy debate. It is one thing to support a credit-worthy peer. It is quite another to admit that his ideas may be a match for the authorised version of economic analysis approved by the Government.

Electronic shopping just one step down the aisle

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

THE introduction of electronic scanners to New Zealand supermarket checkout counters came a step closer last week with the registration of New Zealand Product Number Association Ltd in Wellington.

The company is limited by guarantee, a style of corporate entity provided for in the Companies Act, but rarely used, and is a non profit-making enterprise.

The main object of the association is the promotion and development of a unified system for the numbering and symbolising of all manufactured and processed products to enable the products to be identified for "the purposes of automated reading, recording, scanning, ordering and invoicing of stock, stock control, sales analysis and any other purpose considered useful or beneficial for productivity and accuracy".

Signatories to the Memorandum of Association are the executive director of the Plastics Institute, the secretary of the New Zealand Wholesale Grocery Distributors Federation, the executive director of the Retailers Federation, the managing director of Foodstuffs (Wellington) Co-op Society, the chairman of Associated Wholesalers Ltd, the general manager of GUS Wholesalers Ltd, and IBM New Zealand's director of external affairs.

Wholesale Grocery Distributors Federation secretary, Mick Dawson, told *NBR* last week that the organisation would develop for local manufacturers, wholesalers and retailers the "Uniform Product Code" and the "European Article Number" system for the purpose of coding and scanning goods.

Under the EAN system, controlled by an international organisation in Brussels, member countries are allocated a two-digit number (Australia, for example is 93). Within the country each member manufacturer is given a five-digit identifying number.

Theoretically, New Zealand could provide for 99,999 manufacturers. The manufacturer is able to identify goods, of varying types, weights or packages, by another five digits, thus allowing a product range of 99,999 items.

The system also has relevance to exporters, because it identifies the country of origin, and the type of goods, which assists both the exporter and the importer in the destination country.

The uniform product code, developed in the United States, has been integrated with EAN.

The newly formed New Zealand association was set up to comply with the EAN organisation's requirement that each participating member must establish an administrative body of "legal existence... within a given territory" to control the system locally. When the local association receives its two-digit "country flag", it is responsible for the control and assignment of the five digit manufacturer number. The manufacturer then takes responsibility for the item identification numbers.

The Association will have a council, and it is proposed (although confirmation from some organisations is still awaited) to include the Department of Trade and Industry, Consumers Institute, Standards Association, Dairy Board, Meat Board, Export Institute and a wider range of trade organisations than those represented by the signatories to the Memorandum of Association.

Dawson said that the Federation of Labour and the Shop Employees Union were involved in meetings on the systems, and are part of a subcommittee looking at the effect of the new technology on employment, job satisfaction and possible redundancies. The union representatives do not want council membership, but have requested observer status at meetings.

In a background paper, NCR's Gary Haora, says an average supermarket in New Zealand could expect the cost of installation to be in the region of $7000 to $12,000 for each checkout. There are other costs, for electrical work and so on.

"Cost justification in New Zealand does require very careful analysis because of the relatively high cost of the equipment, due to Government sales tax and import duty etc." Haora said.

"However, similar systems, but without scanning, have been cost justified in New Zealand, on the basis of the potential in the soft savings area and increased throughput at the checkout — areas where current losses are excessive."

Dawson said the cost of the equipment, as with all electronic hardware, was expected to fall as the system became further developed both here and overseas. He saw a day, possibly within 10 years, when even the corner store could have the system, and referred to the massive drop in prices for calculators and similar products over the last decade before any allowance for the rise in inflation over the period.

While stores will face costs for the equipment, they benefit from speeding up checkout counters, the elimination of checker error (ever gone over those long cash register lists to spot the mistakes, which apparently on balance favour the buyer?), and the need to price mark each item on the shelves in favour of a "grouping" price on the shelf. There is better control of inventory and of moving goods, rising productivity per employee, and the sale of the "scanning data".

Haora said: "one of the areas which was not predicted is the sale of scanning data to information collection agencies. It is considered that the sale of this type of information in the United States will become a $15 million a year industry within the next few years."

Benefits to the consumer appear less tangible, but there could be an overall reduction in costs as stores become more efficient. The Consumers Institute is understood to be particularly interested in investigating this aspect of the system.

Arthur Yates shows solid growth in real earnings

ARTHUR Yates and Co Ltd looks set for a continuation of its good profit record.

Last week the company reported net profit of $838,000 for the six months to May 31 1980.

While this was more than double the result for the corresponding period of 1979, it has to be considered in relation to the group's expansion through the takeover of the Palmerston North company, Hodder and Tolley, and the recent acquisition of the Tauranga Egg Marketing Co-operative Ltd (TEMCO).

The interim report says the profit includes five and a half months trading for Hodder and Tolley and two months for TEMCO. Arthur Yates has also taken a 50 per cent holding in Manawatu Mills Ltd, a flour producer.

Assessment of an earning rate for the full year is further complicated, because the company is in the process of a one for four cash issue, in which holders of specified preference shares will participate in the ratio of one new ordinary share for every 10 specified preference shares.

Group ordinary capital at July 25 (the date at which entitlements to the new shares were struck) was $4,538,122 in $1 shares. The addition of one for four on that capital, plus one for 10 on the 1,029,105 specified preference shares will increase the new ordinary capital to $5,775,562 in $1 shares.

In the year to November 30 1979 Arthur Yates earned $1,247,000, before the acquisition of Hodder and Tolley, compared with $934,997 in the previous year and 1978's record of $1,047,135.

Hodder and Tolley's latest full year reported profit was $1,111,307 in respect of the 12 months to January 31, 1979. In the next six months the Palmerston North company earned $485,000, compared with $381,000 in the same period of the previous year.

On that basis, Hodder and Tolley earned $730,000 in the second six months of 1978-79. (Companies involved in the pastoral business as seed suppliers and similar activities tend to do better in the second half of the calendar year, unlike food and station companies which earn most of their income between January and June.)

OFFICE STAFF PAID MORE IN WELLINGTON

Firms in Wellington generally pay higher basic salaries to office staff than do those in other centres. This is the conclusion reached from the PA Greenwood Salary Survey.

The Survey includes 31 of the most common job positions found in offices. In the majority of cases the Wellington salaries exceed the national average and in some cases are as much as 12% higher.

Auckland leads the way in salaries in two areas: Confidential Secretaries and Payroll Clerks and Paymasters.

The Survey does not include salaries paid to government employees.

Further information on this survey is on Page 4 of this issue.

For the sake of a rough calculation, we will assume that Hodder and Tolley earned $113 million in the year to January 31 1980, and about $400,000 in the period included in Arthur Yates half-year report.

Assuming that calculation is somewhere near correct, the parent group would have earned about $438,000 in the first six months, an increase of 14.4 per cent over the same period of 1978-79.

Projecting the figures through to November 30, and adding in a conservative profit increase for Hodder and Tolley, the larger group could earn about $3.1 million for the year.

It is emphasised that the projection is approximate, and is based on about $1.5 million each for Arthur Yates and Hodder and Tolley, plus the "bits and pieces" from other sources.

On that basis, earnings per share on the new capital, after allowance for the dividend on the specified preference shares, would be 51.7 cents a share, although the cash issue shares would be in the company for only three months.

It is appropriate to take fully discounted earnings per share in working out a relationship between share price and earnings.

The share price just before the interim result was $3.45, based on market quotes of $3.40 buyer $3.50 seller.

The shares are now cum a tax free interim dividend of 8 cents a share (6 cents last year). After allowance for that fact, and a probable lift in share price, we will take $3.50 as a "real" price.

The price/earnings multiple from 51.7 cents a share in earnings is 6.77 at $3.50. A dividend of, say, 21 cents a share (19 cents in the year to November 30 1979) would be covered 2.5 times.

Further rationalisation of activities can be expected, resulting in capital profits from disposal of surplus assets as the larger company settles down. Capital gains in the last six months were $140,000.

The shares have interest in relation to the non-taxable dividend. Assuming the company pays the total dividend for the year from non-taxable sources, the effective yield would be 15 per cent at $3.50 for a person on a marginal tax rate of 60 cents in the dollar receiving a total dividend of 21 per cent.

In the longer term the group seems to have good opportunities for growth in local agriculture, horticulture, and a buoyant export trade for its many soil-based products.

The acquisition of Hodder and Tolley, TEMCO, and the 50 per cent interest in Manawatu Mills increases vertical integration in Arthur Yates, a process which was occurring to some extent before those companies came into the group.

A projected price/earnings multiple of 6.77 may seem high in relation to other well-performing companies, but Arthur Yates has shown solid earnings growth in real terms over the past 10 years, apart from a 10.7 per cent profit downturn between 1977 and 1978, a difficult year for most New Zealand companies which balanced towards the end of the calendar year.

Note: The writer neither owns, nor has a beneficial interest in, Arthur Yates shares.

Analysing annual accounts: NZ Motor Corp

NEW ZEALAND MOTOR CORPORATION LIMITED

THE New Zealand Motor Corporation Ltd has a deserved reputation for its annual reports and comments at annual meetings, so the rather coy 1980 report is surprising.

The company's profit before capital items and tax retreated $310,000 (4 per cent) to $7,361,000 in the year ended March 31, but no reasons are given.

In the introduction to his review of the year managing director, Roy Mason said: "Notwithstanding an increasing rate of inflation, the Corporation's operating companies traded well, costs were held, and the rate of earnings maintained."

The operating companies "trading" resulted in sales of $207.6 million, only 12.5 per cent higher than in 1979, but the CPI inflation rate (admittedly not the best inflation test for a manufacturing company) went up 18.4 per cent in the same period.

Operating expenses and cost of sales were 13 per cent higher at $195.9 million, so it is correct to say that costs were held.

In regard to maintenance of the "rate of earnings", the comment is true if one includes profit from sale of assets in the earnings calculation, and accounts for a lower tax liability.

Exclusion of $2 million in profit from sale of assets ($1.3 million in 1979) gave the company a pre-tax profit figure of $7,361,000 compared with $7,671,000 in the previous year.

The tax liability was $2,746,000, as against $3,112,000 in 1979, a decline which is slightly out of proportion to the drop in pre-tax earnings, even when the difference in investment income is taken out. Investment income was $636,000 in 1980, about $400,000 higher than 1979's $208,000.

The tax to pre-tax percentage after excluding investment income (most of which is non-taxable) was 40.8, compared with 41.7.

NZMC gives no breakdown of the tax component, apart from a statement that it is calculated at current Inland Revenue rates, after taking advantage of available deductions and concessions. There is a sentence on deferred tax, but no figures to show how the company arrived at $2,746,000.

The easing in trading profit before tax (net profit from trading after tax and investment income was $56,000 higher in the latest year at $4,615,000) seems to relate to a substantial lift in interest payments, which totalled $3,643,000. The corresponding amount in 1979 was $2,666,000.

Apparently the group had a period towards the end of the year when costs were high due to introduction of new motor vehicles which required gearing up assembly lines, without a corresponding lift in revenue.

The company also increased borrowings to finance acquisitions.

While term liabilities in the balance sheet show a decline of $250,000 to $17,601,000, a "term loan" of $4,900,000 was raised during the year. There were no "term loans" in the 1979 accounts.

Another $7.4 million ($1.3 million in the previous year) came into current liabilities as "term liabilities due within one year". Bank overdraft shot up from $4.7 million to $11.5 million.

Counterbalancing these liabilities is an amount of $9 million (nil in 1979) being "other receivables", which is the amount owing to NZMC from Black Horse Finance for the corporation's shareholding in General Finance. A note to the accounts says payment was received on April 10.

Part of the increased liabilities was used to finance the acquisition of Industrial Steel and Plant Ltd. The parent company balance sheet shows an increase of $3 million in "shares in subsidiaries", which seems to relate to that purchase, because the Group Rentals section of General Finance was finalised after balance date.

Stock rose $20.6 million, which brings us back to the reorganisation of plant facilities for new motor vehicles. Mason said: "Corporation stocks at balance date totalled $70 million, a substantial increase on the previous year, which was lower than normal. In addition to the effects of inflation, other major factors contributing to the increase were the acquisition of Industrial Steel and Plant Ltd, the build-up of stocks for the launch of the 1980 Honda Civic and the Sherpa van. Current plans provide for a substantial reduction in stock during the current year."

The change in trading profitability, and the balance sheet entries, fall into place when all this information is extracted from sections of the report. A clear summary of the different factors which altered the company's financial structure, tax liability, and easing in operation profit, would assist the lay reader.

It would also assist investors and/or potential investors who may be weighing up current prospects for the "new look" corporation.

Apart from those points, the document is a reasonable annual report which says briefly what happened in the main divisions and operating subsidiaries.

Interest costs in the current term will probably remain a burden, but the Group Rentals acquisition, and other diversification, should improve returns substantially in the medium term. A rental operation produces considerable liquidity flow. In the corporation's case it will help to iron out liquidity peaks and troughs.

O'Brien on business

Commission's portfolio shows investment change

THE Accident Compensation Commission is big business, and operates one of the country's largest investment portfolios.

The commission's 1980 annual report shows that the investment portfolio was worth $216.2 million at March 31 at book value, and $217.7 million when the difference between book and market value of equity shares is taken into account.

Total income for the year was $174 million (that's our contributions to the various funds under the commission's control), and expenditure was $122 million, leaving a surplus of $52.1 million.

In 1979 the surplus was $16.1 million, so the commission's "profitability" appears to have risen at first glance.

But a note to the accounts reveals an unusual financial state. There is $137,388,517 in the "earners compensation fund", compared with $96,390,768 in 1979.

The note ("adequacy of fund balances") says:

"The commission is of the opinion that, the levies being credited to the earners compensation fund are (together with the income from the fund) sufficient to meet the current, but insufficient to meet the future liabilities of the fund, including transfers to the general fund, and that the levies being credited to the motor vehicle compensation fund are (together with the income from the fund) sufficient to meet the current and future liabilities of the fund, including transfers to the general fund."

Motorists will be happy to see that information, but the people who pay into the earners compensation fund (employers and the self-employed) may be surprised to learn that $137.4 million is considered insufficient to meet "the ongoing costs of accident claims already lodged with the commission but which have not yet been finalised".

The number of new claims lodged during the 1979-80 year was 96,745, or 8.7 per cent lower than the previous year. It would be interesting to know the average size of the claims, thus allowing a comparison with previous years, and whether the average amount is rising in, or out of, proportion to movements in other costs in the economy and the overall rate of inflation.

The report does not give that information, nor the number of claims dealt with in the year under review and the number outstanding at balance date.

We do see that the commission paid out $46.9 million from the "earners fund" in "earnings related compensation or loss of potential earnings, payable to injured persons", compared with $44.3 million in the previous year.

That is an increase of 5.9 per cent, which is comparatively low, but it would need to be checked against the number of claims settled in each year to show the "real" increase in expenditure.

Examination of the commission's portfolio in relation to the 1979 annual report shows interesting changes in the investment mix over the year, relating in part to the shifts in returns available from different classes.

Total investments went from $164,578,257 to $216,185,579, an increase of 31.4 per cent. The table, compiled from the 1979 and 1980 reports, shows the movements in different sectors. It also reveals the common New Zealand practice of one government agency funding others, but always with our money.

The difference between market and book value of equity shares was 22.8 per cent at March 31 1980, compared with only 7.8 per cent at the previous balance date.

The changing patterns of yield on different investments improved the commission's return on the portfolio. The short-term yield went from 11.18 per cent in 1979 to 13.7 per cent while the return on long term investment stood at 10.31 per cent as against 9.7 a year earlier.

Category	*1979 $'000*	*1980 $'000*	*per cent increase*
Trading bank deposits	10,895	14,000	28.5
Official short-term money market	375	2020	438.7
Transferable certificates of deposit	26,377	29,202	10.7
Commercial bills	3381	14,802	337.8
Domestic mortgages	15,266	15,686	2.7
Housing bonds	750	750	NIL
Commercial and farm mortgages	8039	9211	27.0
Equity shares	4998	6843	36.9
Debentures	45,998	57,042	45.7
Development finance corporation	8250	8450	2.4
NZ Government stock	7750	17,330	123.6
Local body stock	NIL	8350	Uncalcul.
National Provident Fund	32.500	32,500	NIL
Total (differences due to rounding)	164,578	216,186	31.4

Institute faces flak

by Warren Berryman

BUSINESSMEN are questioning Export Institute trade priorities in South America.

An institute trade mission is exploring export prospects with Chile, but it is bypassing South America's largest economy, Brazil, and the thriving economy of Columbia.

The institute sent a dozen men to South America to look for export opportunities three weeks ago.

Their itinerary includes Chile, Argentina, Equador, and Venezuela.

But the omission of Brazil and Columbia has some exporters wondering if the institute is exercising the same judgement it demonstrated in endorsing the BANZ (Bahrain coolstore) project only weeks before the Government decided to opt out.

Brazil imports and exports more than the rest of South America combined — barring oil exports from Venezuela.

New Zealand imports some $12 million worth of Brazilian chemicals, textiles, and motor parts each year but it exports only $0.50 million worth of goods to Brazil.

The major exporter to Brazil is Caxtons, which sends orange wrapping paper to that country's citrus industry.

While the Export Institute is giving Brazil a miss, the Brazilian shipping line, Lloyd Brasileiro, honoured Auckland by naming a ship Lloyd Auckland.

The Lloyd Auckland was due in Auckland last week, where her captain, was to be presented with a plaque by the harbour board and Lloyd's agents, Seatrans.

Columbia reportedly is awash with American dollars from its marijuana and cocaine exports.

The Columbian Government has introduced a policy of encouraging consumer spending on luxury items to take some of those inflationary dollars out of the system.

McGregor's deer velvet liqueur is likely to make a big hit on the Columbian market selling to aging Spanish gentlemen in search of their lost machismo.

The Export Institute will visit Chile, where export orders will be prejudiced by the Federation of Labour's trade ban.

Nevertheless, exporters are learning to circumvent the ban by trans-shipping via Peru or Panama, where the bills of lading are changed.

Trans-shipping adds to freight costs. But there is one small offsetting benefit from trans-shipping via the free trade zone in Panama. If the New Zealand goods receive added value in Panama before they are shipped out to another South American country, they are treated for duty purposes as goods emanating from Panama and are charged lower duty rates than goods arriving direct from New Zealand.

SALARY INCREASES SLOW

"In the twelve months ended March 1980 average basic before tax salaries in New Zealand rose by approximately 17.7%, slightly less than in the previous year." This is one finding of the PA Greenwood Salary Survey.

In the same twelve months the Consumer price Index rose by 18.4%. This implies a reduction in the real level of before tax salaries, of just over .5%.

Rewards for skill and responsibility are narrowing. This is a reversal of the situation in the year ended September 1979 when there was a slightly faster rate of growth of salaries of Top and Senior Executives.

Further information on the survey is on Page 4 of this issue.

Stock Exchange weekly review

FOR WEEK FRIDAY AUGUST 1 TO THURSDAY AUGUST 7

	Last sale	Week's high	Week's low	Turnover
AIRWORK,50C	120	120	120	1300
7.5% PR	...	...	...	0
6% PR	...	...	...	0
AJAX G.K.N.	280	280	280	1200
A.J.WHITE	100	...	...	0
11.5% CONV PR	66	...	...	0
ALCAN,50C	170	170	167	5000
A.H.I.	222	222	215	12900
ALLIANCE,50C	56	55	50	45300
12% CONV PR	48	48	45	27600
ALLFLEX	115	116	115	11200
ALLIED FARMERS	296	305	296	7800
12% CONV PR	295	295	295	200
ALLOY STEEL	200	200	200	400
A.M.BISLEY, 50C	205	205	205	3300
AMPOL PET.,50C	172	...	...	0
A.BEAVEN	109	108	108	38200
11% CONV NTS	98	98	95	19100
11.5% CONV PR	92	92	90	13600
ANDAS GROUP	108	108	108	2300
5-6.5% PR	90	...	...	0
12% CONV PR	90	...	...	0
ANZ BANKING GROUP	220	220	219	39000
A.WRIGHT	130	...	...	0
"A" 6-7.5% PR	...	...	...	0
"B" 5-6% PR	...	...	...	0
A.BARNETT	185	185	185	200
A.ELLIS	55	55	55	5000
ARTHUR YATES	365	367	365	7500
12% CONV PR	160	160	160	200
ASHBY BERGH	230	...	...	0
A.B.CABLES	205	...	...	0
ATLAS, 50C	36	37	35	34900
10% CONV PR	30	37	30	14900
AUCK.GAS	460	...	...	0
AURORA,50C	160	160	155	11100
10% CONV PR	110	110	110	2000
14% CONV NTS	104	...	...	0
CONV NTS '86	102	...	...	0
A.C.I.	198	...	...	0
AUTOCRAT HOLDS	178	178	172	3700
...				
WINTHS (NZ) PROPS, 200C	182	...	...	0
5.75% PR	72	72	72	1200
WORMALD	280	280	280	400
5-7.5% PR	100	...	...	0
W.R.CARPENTER,50C	216	...	...	0
W.SUTHERLAND	135	...	...	0

Manufacturing

White milk excluded from the carton battle

by Warren Berryman

AFTER six years of delay, reams of reports and submissions, and hundreds of thousands of dollars in lobbying, Government last week okeyed the introduction of cardboard fruit juice and flavoured cartons to the New Zealand market.

The Trade and Industry Department will allow market forces to decide the outcome of the battle between bottle and carton with the proviso that companies wanting import licences for carton-filling machines must pledge not to fill their cartons with white milk. That would jeopardise AHI's milk bottle monopoly and the home milk delivery system.

Companies are lining up to get into the cartoning business and the market for fruit juices, flavoured milk, and yogurt.

First up with the carton idea was UEB Industries, with its Pure-pak cartons.

Stalled by the Government, UEB lost its innovative edge to AHI, which has a joint venture with Tetra Pak.

Both AHI and UEB were scooped — because of Government delays — by the Dairy Board, which introduced Zapp flavoured milk in Tetra Pak's Tetra-Briks.

Oasis Industries originally planned to go with UEB packaging fruit juices in Pure-Pak cartons for the domestic market and export.

But Oasis now has its name on a Tetra-Brik machine and will start filling cartons with fruit juices in a few months.

Pure-Pak has a cost advantage over Tetra Pak, but Tetra offers long-life aseptic packaging giving fruit juices and flavoured milk longer shelf lives.

Pure-Pak's cartons have a gabled top. Tetra-Briks are built like rectangular blocks, making them ideal for packaging and transporting (specially for export).

Oasis market development manager Geoff Bowyer said the break-even production run through his company's leased Tetra-Brik machine was 7.72 million 250 ml cartons. He estimated Oasis would double that run in the first year.

The machine is leased through Tetra Pak NZ Ltd, a joint venture between AHI and Tetra.

The major market would be for orange juice, Bowyer said.

Oasis has its own orchards at Te Puke, a marketing and management contract with the Cook Islands Government and citrus growers, and a similar contract with Fiji Citrus Produces Ltd. Oasis also plans to buy fruit from local growers.

Until now fruit juices were sold within 28 kilometres of the bottling factory because of transport costs involved in shipping plastic bottles and the limited shelf life of the product.

With the longer shelf life and transport advantages of Tetra-Brik packaging, Bowyer said, his company could now go for national distribution, and was hoping for exports of 400,000 units worth $160,000 in the first year.

Export marketing would start with the Cook Islands and Fiji, where Oasis has established contacts, he said.

The Tetra-Briks cost about the same as the plastic bottles now in use, Bowyer said. But as prices for oil (the raw material for plastic bottles) would escalate faster than the price of trees (the raw material for cardboard), the cost advantages of cartons would become greater, he said.

The soft drink industry, Oasis's mainstay, has had a down-turn over the last eight months. Sugar prices are up 52 per cent since February and the Government introduced its sales tax on soft drinks in May. And it has become fashionable to drink natural fruit drinks rather than soft drinks.

Bowyer said Oasis's fruit drinks would be fruit-based, but not 100 per cent juice. There was not enough fruit on the market for pure fruit citrus drinks, he said.

Apart from Oasis and the Dairy Board's Zapp, it is understood the Apple and Pear Board has been looking at Tetra-Pak for its apple juice products. The Dairy Board may open its own fruit juice operation.

Pure Pak New Zealand Ltd, a joint venture between Pure Pak Australia and UEB Industries, has applied to import four Pure Pak filling machines of various sizes worth from $60,000 to $200,000 each. Each of these will be used for fruit juice liquid packaging.

The savings over plastic bottles will be 50 per cent.

While AHI and Tetra Pak scooped UEB with a bit of help from Government, AHI appears to have been scooped by Consolidated Plastics Ltd.

AHI Glass has a monopoly on glass-bottle manufacture here.

But Consolidated Plastics will soon start producing one-trip two litre Coke bottles for Oasis from PET, a plastic material.

Pressure from carbonation creates problems in big containers such as the two litre bottle and PET appeared to be the answer for Oasis.

In the corporate scramble to get into the liquid packaging game there is an apparent danger of capacity outstripping demand for drinks.

But Trade and Industry sources say the department is convinced the market will sort itself out. These sources point out that neither Pure Pak nor Tetra Pak make money selling machines, but from selling the cartons.

Because the machines run best at maximum capacity, it is in these companies' interests not to flood the country with too many machines, these sources said.

Reciprocity threatened by decision delay

TRADE and Industry Minister Lance Adams-Schneider has still not made a decision on Stevens-Bremner's proposal to export synthetic carpet to Australia.

Carpet manufacturers fear that Australian attitudes are hardening toward the reciprocal trade agreement that gives this country favoured access for $30 million worth of carpet a year into Australia.

Last March the Australian and New Zealand carpet industry agreed to a deal allowing 2.1 million square metres of New Zealand carpet into Australia and 400,000 square metres of Australian carpet into this market. This deal — very much in New Zealand's favour — hinged on an inter-industry agreement not to export synthetic carpet to each other's market.

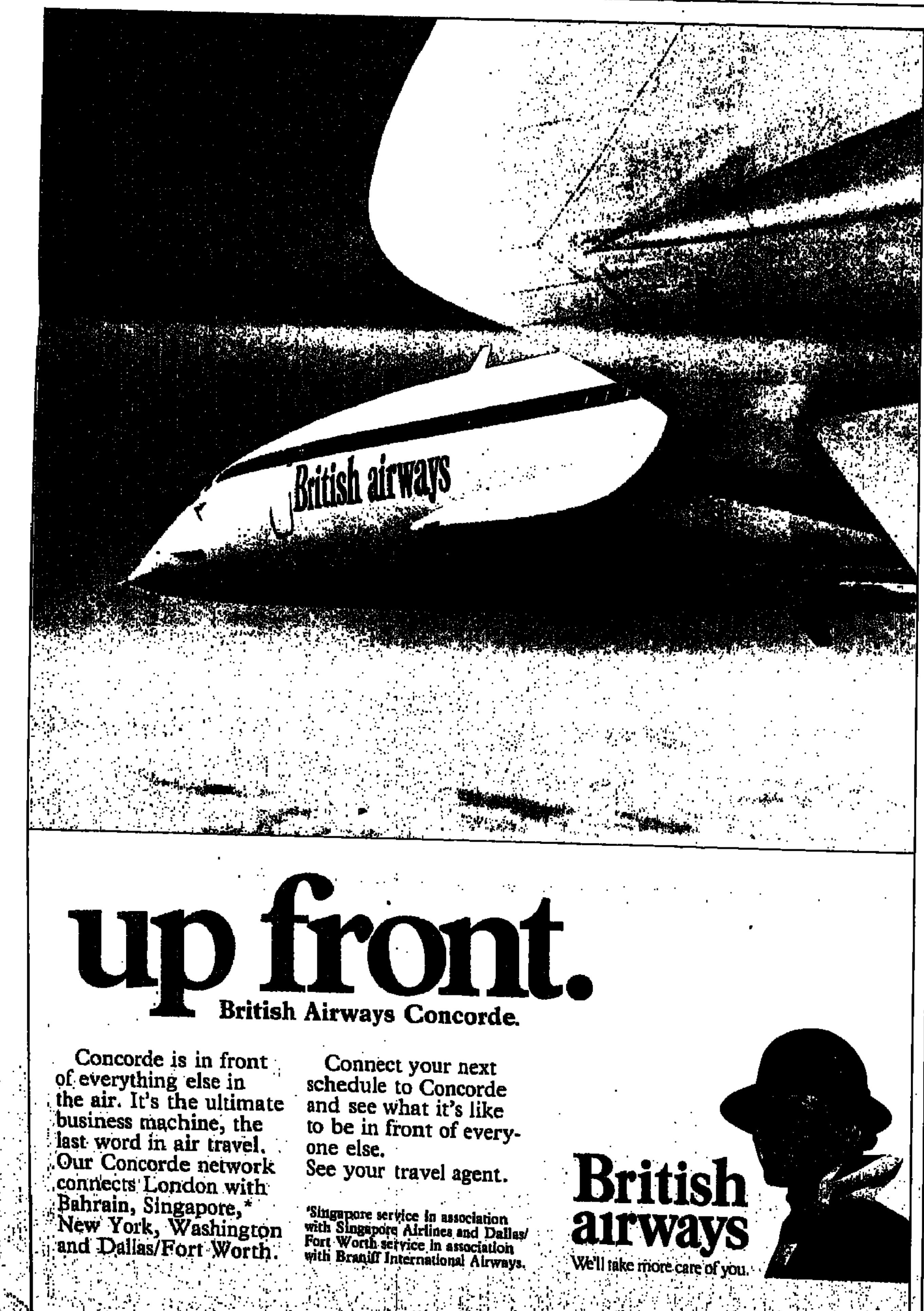
The deal was to have become effective on April 1. But Adams-Schneider made no decision.

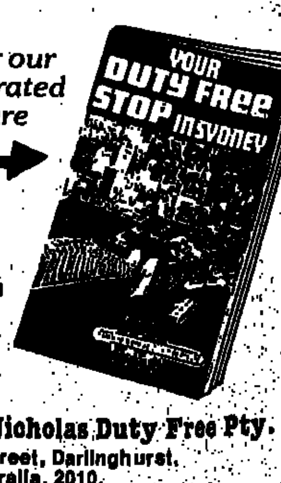
Stevens-Bremner is not a member of the Carpet Manufacturers' Federation and is not bound by the gentleman's agreement.

The Government-favoured and financed Stevens-Bremner wants to export synthetic carpet to gain throughput for its major white elephant, the Millitron jet-drying machine.

Adams-Schneider and his department have their reputations on the line because they granted Stevens-Bremner the sole import licence in 1976 to set up the Millitron against the advice from the rest of the carpet industry.

The Australian carpet industry threatens to wreck New Zealand carpet access to its market if Stevens-Bremner starts exporting synthetics.





Law

Commission brings the invisible hand into focus

by Jack Hodder

COMPETITION law (or anti-trust law, as the Americans call it) has never flourished in New Zealand. In a small country with a long tradition of central government involvement in almost everything, the political problem of rising prices has traditionally been met by direct restraints rather than faith in the invisible hand of free competition.

Our current competition law is contained in the Commerce Act 1975. This sizeable statute (156 pages) is still being explored, at a leisurely but increasing pace, by the Commerce Commission. Part III of the Act deals with monopolies, mergers and takeovers. It has been traversed in depth for the first time in the context of L D Nathan & Co Ltd's takeover of McKenzies (NZ) Ltd.

It may be recalled that Nathans (with gross assets of $97 million) proposed to merge and reshuffle its Woolworths component with the McKenzies enterprise (gross assets of $25.2 million). This was to produce 84 "Woolworths" supermarkets and 101 "McKenzies" variety stores. McKenzies' Wellington head office and warehouse and 13 stores were to be shed.

The Examiner of Commercial Practices declined to consent to the proposal. In its decision No 42 (29 November 1979), the Commerce Commission gave its consent to the takeover but, because of certain time limits, gave only a summary of its reasons.

The commission's supplementary decision No 42A (July 15, 1980) elaborates belatedly, if at length (71 pages), on the reasons for the consent.

As the first full discussion of takeovers by the Commission and with the Fletchers/Carter Holt deal having been turned down by the Examiner, this decision is particularly significant.

Before consenting to a takeover proposal, the commission must decide that it "is not likely to be contrary to the public interest in terms of section 80". Section 80 spells out the matters which the commission is to have regard to in reaching such a decision. These include:

- The likely occurrence of increased or artificially high costs, prices or profits, the prevention or reduction of competition, or the limitation of the supply or variety of goods to consumers.
- The assistance or hindrance to the promotion of consumer interests, the better utilisation of resources, the development and use of new techniques and the entry of new competitors into existing markets.
- The interests, as employees, of persons employed by the enterprises directly affected.

The early part of the supplementary decision deals with important evidential matters. The object of the Act is to deal with mischiefs which may arise from takeovers; but there is no presumption that takeovers are inherently mischievous.

Every party advancing a point is obliged to prove it with the best evidence available (for example, with substantiated facts and witnesses with appropriate credentials. And confidentiality is in the discretion of the commission; but no disclosure if that would cause harm.

The bulk of the supplementary decision is directed to the likely impact of the proposal on the market (for example, competition) and on employment (for example, redundancies).

The Examiner took the orthodox approach, of defining the relevant market and then assessing the likely effect of the proposal on competition within it. He defined the market as that part of the retail market served by convenience-variety stores.

He contended that few other stores attempted to compete in this specialised market, that competition between Woolworths and McKenzies was "vigorous," that their goods were widely recognised as low price as or lower than elsewhere, and that they were the principal market for those on modest incomes.

It followed, he argued that the impact on competition would be adverse and severe at both the retail and wholesale supply level.

The Commerce Commission did not agree. It was not necessary to define a market in advance. The real question was one of determining the areas in which the takeover would have an impact and then assessing both the impact and any countervailing effects. Thus a conclusion was to be reached after consideration of all the evidence.

And, after consideration of all the evidence, the commission decided that it preferred the market definition advanced by Nathans — a definition involving product, activity and geographic dimensions.

The product dimension comprised all products sold by Woolworths and McKenzies and competing products. The activity was retailing. And the geographic dimension embraced national, regional and local considerations.

The surveys conducted by the Examiner and advanced by him in support of his argument were met by McNair surveys commissioned by Nathans.

The latter prevailed to the extent that the commission accepted that "price competition is widespread in the market place over a wide variety of goods ... (it) is not the sole prerogative of McKenzies and Woolworths and the general public ... spread their custom over a number of stores."

Underlying the commission's reasoning was its finding that the traditional public image of Woolworths and McKenzies was no longer valid.

Although those chains might once have been the cheapest source of many small articles, retailing is in a state of continuous evolution and discounts, specials and sales are adopted in all stores.

The Nathans case stressed the very real competition from the Farmers Trading Company in many parts of the country and from Rendells and George Courts in the Auckland area and from regional enterprises in other centres.

Having lost the market definition contest, the Examiner stood no chance. In assessing the various matters listed in s80, the commission accepted the Examiner's contentions on only two points: that there would be some reduction of competition for both consumers and manufacturers; and that the interests of the present employees of McKenzies would be hindered to some extent.

But the takeover would not create a monopoly situation and any vacuum created would be rapidly filled by the expansion of national or regional retailers.

On the redundancy question, the commission produced an impressive bark. McKenzies' senior management were scolded for giving their staff minimal information. Nathans was warned that the commission, business and the unions would be "disturbed" if assurances given were not honoured. And it stressed that a redundancy condition to the takeover consent had been very seriously considered.

But the commission seems a little short on bite. It did not impose any condition and for reasons which apply to almost any takeover situation: it was difficult to define redundancy (although the commission did distinguish this from loss of job opportunities, with which it was not much concerned); it was also difficult to pinpoint the numbers involved or an appropriate time limit; it was difficult to enforce (a penalty wasn't much use and unscrambling the takeover would quickly become impracticable); and, finally, if the unions had not been able to bring about satisfactory legislation on redundancy then it wasn't the commission's job to fill the gap.

This last observation, together with the refusal to allow the Clerical Workers' Union to see confidential material appended to the Examiner's report and the dismissal as "inappropriate" of the FOL's "thinly veiled threats" should ensure that, irrespective of the imperfections this decision may illustrate, the Commerce Commission will avoid accusations of being soft on unions.

Travel tabloid gives 'paradise' a punchy pitch

by Warren Berryman

Adventureland . . . potential contrast to bus tours

A NEW travel tabloid has turned up in New South Wales travel offices.

Its name: *The New Zealaner* – a spoof on that prestigous Murdoch publication, *The Australian*.

Its aim: to sell New Zealand as a destination to Australian tourists in brash, punchy Aussie argot.

Example from the front page of the launch July issue: "New Zealanders have a quaint, if cynical expression for the place – God's Own Country, sometimes seen as the diminutive Godzone. I have no idea just who holds title over the country – but He sure took a hand in assembling it. No one could have done a better job of running up 1000 miles of assorted scenery. If I had been told that New Zealand had been designed by Thomas Cook and Co I might have believed them . . ."

Behind the tabloid is expatriate Aucklander Michael Clayton, managing-director of Tourist Marketing Resources (NZ) Ltd. Based in Sydney, Clayton also sells a New Zealand fly-drive tour.

Clayton said he started the publication because he felt New Zealand was being misrepresented in Australia as a dull drab country – not the adventure paradise it really is.

Clayton's message; "It's not natural gas and it's not hydro-electricity. It's not coal or gold or jade. New Zealand's most important natural resource is not something you dig out of the earth. It's something you find in your own backyard. It's tourism."

The first issue of *The New Zealander* (8000 copies), was distributed by courier to New South Wales travel agents, airlines, and rugby clubs. Clayton said he hoped to expand into Queensland and Victoria this year and expand the present eight pages to 16.

The publication carries about 40 per cent advertising.

The ad rates, at A$825 a full page, are expensive by New Zealand standards. But Clayton said his rates were below average in the Australian market.

Contributing to this country's dull image on the Sydney market was the New Zealand Government Tourist Bureau, Clayton said. Other country's tourist bureaus promote their countries but leave the selling up to private enterprise, he pointed out.

Clayton said New Zealand's GTB was equated with Russia's Intourist, giving this country the dull grey image of a Socialist republic.

And because the GTB was in direct competition with private Australian tour wholesalers, and perceived as partisan toward Government-owned and operated tours, Australians tended to steer clear of New Zealand, he claimed.

His advantage, Clayton said, lay in his ability to present New Zealand in a non-partisan manner.

In conjunction with the tabloid, Clayton's company operates a "hotline" where anyone can phone in for information about any tourist facility or travel company this country has to offer.

The first issue of *The New Zealander* was mostly taken up with articles on skiing.

The August issue will concentrate on the Rotorua-Taupo area, Clayton said.

Stories won't be confined to Maoris and mudpools and snapshotting superannuitants on organised bus tours. Clayton said he thought New Zealand should be sold as an adventure paradise – white water rafting, trout fishing, hunting – areas in which this country has few, if any, peers.

The name of the game can be undermined

by Warren Berryman

PUBLISHERS are anxious to preserve their prime asset – their magazines' names.

Several companies have been publishing magazines of unknown circulation and doubtful credibility with names that could easily be confused with those of magazines of proven circulation, clout, credibility and reputation in the marketplace.

Advertisers have frequently bought space in a new publication believing they were buying it in a well known publication.

The Business Press Association has placed paid ads in member publications warning readers to "beware of imitations", "make sure you're talking to the right people, and if unsure call back".

Jason Publishing Co Ltd, which publishes *Jason's Motels of New Zealand Directory* and a sister publication for hotels, has advertised to warn against imitations.

Pen Publishing Ltd, an Auckland company, has been soliciting ads for an as-yet-unpublished magazine, *Hotel Motel and Tourist Guide*.

This month's issue of *Hospitality* carries a story about a magazine called *Brewers and Hoteliers 1980*, a 60-page publication carrying about 70 per cent advertising.

Brewers and Hoteliers is published by Northern Publishing Co. The phone number listed in this publication connects callers with [illegible] Publishing, rather than the long-established [illegible] Publishing Co Ltd of Whangarei, publishers of the *[illegible]ern Advocate*.

Tasman [illegible] produces a long list of magazines (see *NBR*, [illegible] 1980) and has been [illegible] complaints from advertisers regarding the publication and billing for unauthorised ads.

Hoteliers complain they have been billed for unauthorised ads placed in *Brewers and Hoteliers*.

Hospitality's editor, [illegible] Conway, complains that *Brewers and Hoteliers* [illegible] his articles, one of which carried his by-line, without permission.

The article in *Hospitality* puts it bluntly: "Hoteliers and [illegible] teliers are being ripped off by unscrupulous advertising salesmen and many of them are doing the sensible thing by refusing to pay for ads they didn't order and giving their support to their genuine trade press to ensure others may be warned of the activities of these confidence tricksters."

IDC hears Petrocorp and BP petrochemical plans

by Rae Mazengarb

PETROCORP and BP Chemicals (NZ) Ltd last month presented submissions on a local petrochemical industry to the Industries Development Commission inquiry into the plastics industry.

Both were questioned closely by PINZ members and IDC representatives. And Petrocorp's Don Gray was closely questioned by BP's representatives.

BP made two submissions to the IDC – one confidential. But the company was called on to explain only its public submissions.

After outlining its experience in chemicals and plastics BP described the "trend towards large-scale plants" as a world-wide feature of petrochemical production.

BP representatives said development of ethane from Maui gas would need to be large-scale, which, initially, would mean an export industry.

Later down-stream production would produce for local requirements, or perhaps include an export product.

Questioned about a statement that the New Zealand petrochemical industry would need export incentives, favourable rates of depreciation and stock allowances to be internationally competitive, a BP official said such attractions were necessary because they were "generally applicable in other parts of the world".

Other factors such as price of the raw materials came into the equation also, he said.

A member of BP's technical team said polyethylene plants being built today tended to be within the 100,000-200,000 tons-a-year range.

Since local use ranged from 30,000-50,000 tons, the problem of scale had to be confronted, he said.

The BP official said it was possible to get a variation of polyethylene densities within the design of a particular plant, but there was no proven technology to cover the whole range of densities which the market demanded.

In terms of advantage to local plastics manufacturers, the BP official hinted that there would be no great benefits in the form of cheap raw materials.

For the economic advantages of a major export project to flow to the national economy, manufacturers would not be able to expect to get the total benefit of the reduced price which would need to be applied for exports, he said.

In other words, the local consumer "would need to make a contribution which is no greater than is already made in terms of imported prices, to a scheme which effectively would be in the national interests."

Local price would result from an "averaging exercise" which ensured the "export part of the business" was competitive, he said.

But while local manufacturers would not be significantly advantaged in terms of cost, they would gain a security of supply.

Petrocorp's original comprehensive package was described by some sources as one which would have to be extensively modified to proceed without some subsidy, either through artificial pricing or cheap feedstock. Petrocorp did not ask for Government subsidies. But it was questioned closely over its submission, almost as if the hearing was a forum for debating the merits of competing firm proposals.

BP asked for clarification of several points, particularly Petrocorp's reference to "relatively uncomplicated cracking plants."

BP pointed out "that really this is a very sophisticated plant . . . To refer to the plant as relatively uncomplicated is perhaps a little misleading . . ."

BP questioned Gray on contingency factors in financial evaluations and on Petrocorp's reference to the direct conversion of butane into the "plastics" raw material maleic anhydride.

Asked if he was aware of any plant actually using that process, Gray said: "We have had people who have assured us that it works."

Gray's submission calculated the production costs of ethane and LPG at "around $100 a tonne ex-plant gate" in 1980 dollars.

In contrast to BP, Petrocorp described the direct export of ethane as "an unlikely option" because of cost.

But ethylene could be disposed of in three ways;

- Production of petrochemicals and plastics;
- Conversion to ethyl alcohol as a petrol substitute;
- Direct export of ethylene for use in petrochemical plants overseas.

For ethylene production, Petrocorp estimated cost would be now more than "half the current ruling European contract price rate."

While distribution costs within New Zealand were an adverse factor, and shipping costs were expected to be a problem for a New Zealand petrochemical producer, their influence should be outweighed by the feedstock price advantage, the submission said.

A BP official challenged Petrocorp on the cost which the oil company representatives said was about $350 a tonne for local production.

"I am puzzled because the assessments that we (BP) have done come out to more than that and they are more comparable with figures that we talk about in the States . . ." he said.

Current US prices on existing plants ranged between $520 to $550 per tonne on a situation where there was excess capacity and cheap gas, he said.

The two groups agreed to disagree on price.

Petrocorp's studies indicated that the minimum annual capacity of an internationally competitive New Zealand polyethylene plant would be about 70,000 tonnes product a year. A plant double that size might in fact be the minimum economic size that could be contemplated, the submission said.

Preliminary studies showed that a polyethylene industry based on ethane could be viable but that it would have to be highly export-orientated. The main problem therefore would be finding stable long-term markets.

Petrocorp said petrochemical industries based in New Zealand would have to be capable of standing on their own feet in international markets and operating in the domestic market without import-licensing protection.

Profile

Yates: turning seeds into a blooming big business

by Lindsey Dawson

LITTLE did George Yates know what he was starting back in the mid-19th century when he developed an interest in seeds as a by-product of cotton milling in the Midlands.

His small seeds business was to germinate through generations of his descendents to blossom into a multi-million-dollar enterprise on two sides of the globe.

He could be proud of the New Zealand Yates company, founded in 1883 by his grandson, Arthur, in Victoria Street, Auckland. Arthur's first day in business yielded 1s 6d in sales.

Last year, four years short of its 100th birthday, Arthur Yates and Co Ltd made sales of more than $28.5 million and earned a profit after tax of $1,247,371, an increase of 33 per cent on the previous year.

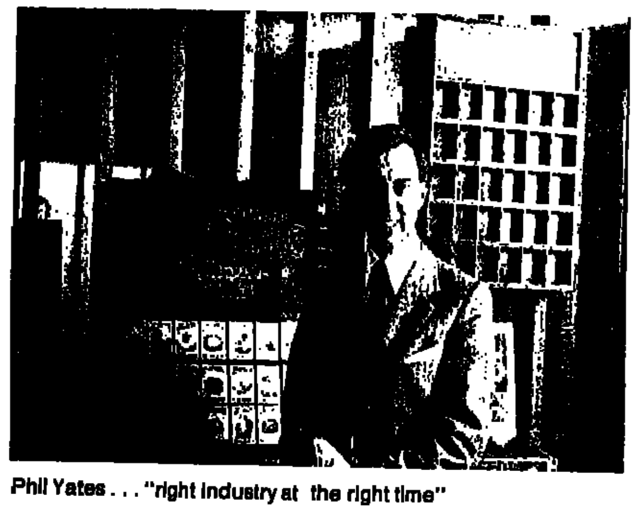
The year's results produced the highest revenues and after-tax earnings in Yates' history.

Seeds aren't the company's only line of business, although breeding, producing, selling and exporting them is the basis of the Yates group's activities. The product line also extends to agricultural fertilisers and chemicals, hardware and equipment for commercial gardening and farming, a complete range of home gardening products, pet products, peat and plastic extrusions.

The acquisition late last year of Hodder and Tolley Ltd has added grain drying, flour milling, farm supply and produce export to the list.

That takeover almost doubled the size of the Yates group in profits, sales, assets and establishments and was one of two major moves by the company last year.

The other was the placement of a major shareholding in Yates to Pioneer Hi-Bred International Inc of Des Moines, Iowa. Pioneer is a world leader in the genetic supply industry, and is heavily involved in electronic data systems. Its president, Thomas N Urban, is now a director of Arthur Yates.



Phil Yates . . . "right industry at the right time"

Managing director Philip Yates is optimistic about the benefits that will flow from these two moves. He calls Yates "a lucky company." "We just happen to be in the right industry at the right time in that we service the key to New Zealand's future — agriculture."

He is a descendent of George Yates. So too are the Yates who run Yates Seeds Ltd in Sydney (a separate company from the New Zealand firm) and those at the head of Samuel Yates Ltd of Manchester, the original Yates seeds business which today is a subsidiary of the Australian firm.

Phil Yates, who enjoys working in his own garden when he finishes the week's work in the seed business, enjoys the international Yates connection.

"Our salesmen are often coming across Yates garden centres in Britain which are run by other family descendents — I got a photo just the other day taken at a Yates business I hadn't heard of before."

His cousin Jack is general manager of the seed division, but future family connection with the business is uncertain.

"My son is 14 and his future is up to him. There'll be no secure place for him here — any more than there is for anyone else," Phil Yates said.

Arthur Yates and Co has been exporting seeds since the post-war years, but the big thrust for overseas earnings began in the 1960s, and the company now is selling in about 80 countries with the emphasis on the developing third world lands.

International competition is fierce. But the company has succeeded, says Yates, because New Zealanders are "fast on their feet, adaptable, and we've got a good product".

It has been using multi-lingual packaging for some time, and was first on the market with triple-laminated tropical packaging enabling seeds to be kept on the shelf without spoiling in hot, humid conditions.

Yates places heavy emphasis on research — $400,000 last year. More than 50 per cent of agricultural seed sales come from new products introduced over the last five years as a result of research.

There are Yates research stations at Mangere, Pukekohe, Blenheim and Christchurch, where their biggest research farm, "Normandale", is named after Philip's father, Norman, former managing director and chairman and still a board member.

Yates' present board chairman is Cyril Keppel, deputy chairman of Air New Zealand.

With an increasingly hungry world to be fed, cultivar research is important not only for Yates' continued prosperity but for arable land worldwide to be used to maximum efficiency. Scientists are breeding new varieties of plants to produce more, resist disease and withstand adverse conditions.

One of Yates' notable successes has been the development of drought-tolerant perennial rye grass, which gives farmers a spurt of growth autumn rain when normally their grass would be very sparse.

Diversification is a word that crops up frequently when you talk with Phil Yates. The company is working on new horticultural crops, investigating the "great potential" for producing liquid fuels from biomass as part of one of several consortiums which will put forward proposals to Government by the end of August, and is continuing peatland development.

The company has been draining and harvesting peat in the Hauraki Plains and Southland, and turning the land into horticultural growing areas.

Blueberry research has shown good results, and 100 acres have been planted. The first commercial harvest of blueberries is due in 1983/84, and says Yates, the company "has other crops in mind".

Horticulture has a major role to play in New Zealand's future, he says. "We'll see a lot more speciality, high-value crops. We'd be very, very lucky to latch on to something as successful as kiwi-fruit again, but there's a whole range of specialty items which can be grown and marketed successfully.

"There's an accelerating awareness of the potential here, but there's also a danger that people will get euphoric and finish up with burnt fingers."

His management philosophy is one of encouraging middle-level management to make its own decisions.

Decentralisation gives the company flexibility and speed of response required in intensely competitive and, in some cases, highly fractionated markets. He also has faith in the new generation of young management trainees — "they're very well educated, and less constrained by established precedents."

Corporate and financial development decisions are made at board level, of course, and the group is working towards having all aspects of the company linked into an on-line interactive computer network so that centralised data bases will increasingly provide the linkages for reportage and group overview.

Although confident of his company's future, Yates has some hard things to say about the difficulties facing business. He calls for less state control and more free enterprise.

"In New Zealand, and indeed other parts of the western world, we have deluded ourselves in business into thinking we can legislate against the dangers of failure," he says.

Business must break from the developed habit of running to Government with every problem and with every sign of a "cold draught", he says.

"Let us hope that before it is too late, we will return to a philosophy of minimum government intervention and involvement, and maximum competitive enterprise and self-sufficiency."

Tourism

Australian states compete for Tasman tourists

COMPETITION among Australian states for a greater share of the increasing numbers of New Zealand tourists is hotting up.

Earlier this year the New South Wales Department of Tourism officially launched its travel package, "Bargain Australia".

The "Blue Chips" states promotion, involving Tasmania, Victoria and South Australia, is up and running, and a North Australia promotion, backed by the state Governments of Queensland, Northern Territory and Western Australia, is being launched.

Other states are expected to announce promotions in the next few months.

New South Wales was the first Australian state to publicly declare its interest in New Zealand as a potential growth market for visitors.

It has launched the innovative "Bargain Australia" travel concession deal, offering as much air or rail travel as you can use within a 14-day period, on a flat charge, together with discounted motels, hotels, rental cars and tourist activities. The promotion was announced at a major launch luncheon in Auckland last month.

New Zealand and Australia are each other's biggest tourist markets. More than 200,000 travellers move across the Tasman in either direction every year.

Most New Zealand travellers go to Sydney.

The New South Wales promotion is directed at encouraging them to move up into the hinterland of the state to try their hand at something new — gold mining, digging for sapphires or opals, sipping wine in the Hunter Valley, bush walking, fishing, canoeing or whatever.

Sales have been encouraging enough for the New South Wales Department of Tourism to consider extending the range of tourist opportunities within the package.

To back up its support and confidence in the New Zealand market, the department has appointed its first full-time New Zealand travel service manager, Ian Cameron. Based in Auckland, he was formerly with the Australian Tourist Commission.

Bargain Australia . . . New South Wales's travel package

Bargain Australia has been launched in Australia, and will be promoted in Britain, but the main marketing emphasis is being directed toward New Zealanders.

Cameron said it would be a continuing promotion on the department's behalf for several years.

"More motels and tourist activities will no doubt be keen to join this promotion because of generous incentives available from the Government for Australian tourist operators promoting in an overseas market," Cameron said.

Following the New South Wales lead, the other Australian states are also appointing full-time or part-time travel managers.

Tasmania has named as its representative, Geoff Wood and Victoria and Queensland will make appointments later this year.

Sculpturing cities in the sand

by Lindsey Dawson

NEW occupation for the moonlighters, students and the unemployed — building sand castles. It's the new American art form, and one that will net you enough dollars to buy a few meals.

Drawing the crowds on Waikiki beach these days is a young Hawaiian, Joe Maize, who builds futuristic cities out of sand in front of the Royal Hawaiian hotel.

He is at it from dawn till dusk, filling up as much as 20 square feet with pyramids, igloos, moats, spires and crenellated battlements.

At night he lights his huge granulated structure with coloured flares, sits down with his friends for a party and watches the passing public drop money into the hat in appreciation for his efforts.

He started doing it for fun in San Diego where sand sculpturing is [illegible] creative pastime. Returning home a few weeks ago he took his buckets and spades off to Waikiki. He had a hard time initially.

"The people who have beach franchises didn't like me around at first. I got threatened a lot, but now I've got the blessing of the Royal Hawaiian they're leaving me alone."

The new American art form is created with typical American utensils — Tupperware, formica, tin-foil trays, and beer, in a spray atomiser, which sets the surface.

The sand is mixed with sufficient water to make firm shapes, and Maize specialises in fine detailing.

When the whim takes him he spray paints his constructions, and he planned a sand "super city" for July 4. Now and again he does a dragon instead.

The worst occupational hazards are flying frisbees, but nobody has yet dared to succumb to the overpowering sensation to deliberately stomp on his carefully constructed forms.

By night time city ordinances require that he returns Waikiki's golden sands to the condition in which he found it.

So far he's the only sand man [illegible]

"I did hear that someone was doing reclining nudes but I haven't seen them yet. It'd be great if someone else came along — I thrive on competition."

Budding Kiwi sculptors who would like to have a go should know that the sand has to be perfect, with no twigs or shells to mar the artistic integrity. A few strong friends to do the heavy digging can be a help.

The possibilities of rendering the Beehive, Muldoon and Lange in sand are there. You can expect to collect between $25 and $30 a day.

Overseas trade

Muldoon will find Mexico walking tightrope

MEXICO is said to be interested in New Zealand's capability as a supplier of bulk foods and technology for agriculture. New Zealand, in turn, is becoming interested in Mexico's energy potential.

More than half New Zealand's oil imports came from Saudi Arabia last year.

The Government is anxious both to diversify its oil supplies and develop its export markets.

Prime Minister Rob Muldoon will visit Mexico in October, accompanied by top Government and private trade representatives.

The Government is believed to attach great importance to the visit (which will be similar to the mission to China led by Deputy Prime Minister Brian Talboys last year).

A preparatory mission from the New Zealand Embassy in Washington has been to Mexico City to discuss the Prime Minister's visit.

It was led by D O Walker, the Minister (Commercial) at the Washington Embassy, which is also accredited to Mexico City.

Walker later reported that the Mexicans were "fully aware of the value of their energy resources and are anxious to use them as a trade-policy lever".

Mexican oil revenues are expected to reach $12 billion this year and foreign investment is projected to rise 40 per cent. Growth is targeted at a healthy 8 per cent for the next three years. But that very growth coupled with the stability that has attracted Western bankers is threatened by the dislocation that such rapid expansion generates.

Mexico in fact is still a very poor country. Many of its people are undernourished and unemployed.

Steering a delicate path between growth and maintaining an acceptable inflation level is one of the greatest dilemmas this growing oil producer faces.

The Government has little room for manoeuvre without jeopardising the stability which makes it so attractive to foreign investors. Inflation has already jumped 5 per cent this year to a level of 25 per cent and about 40 per cent of the 17 million workforce – nearly 7 million people – are estimated to be out of a job or underemployed shining shoes, or selling chewing gum or other similar activities.

Each year about 800,000 new jobs are needed to stop unemployment rising.

To a large extent the Government has worked wonders in creating jobs by channelling investment into the industrial sector and raising the growth rate to 7 per cent last year.

But the boom has been expensive to engineer. The Government has spent heavily, running up big budget deficits and relying on foreign borrowing.

This year's deficit will exceed $8 billion. With oil as collateral, the finance ministry has raised public sector debt from just under $20 billion at the end of the 1976 crisis to a current $30 billion.

The deficit spending and intense pressure of demand has brought back high inflation, provoking discontent both among the relatively well-off labour unions and the millions of poor who have so far lost out on the much-vaunted oil prosperity.

According to Government statistics, Mexican workers have lost about 25 per cent of their purchasing power in the last three years.

The concentration of resources in heavy industry has sharpened the differences between Mexico's rich and poor and the picture has become blacker with near disaster this year in the agricultural sector.

Mexican farming, much of it in the hands of subsistence small-holders, has failed to keep up with the population growth estimated at a hefty 3 per cent a year. A severe drought in the northern states has exacerbated traditional inefficiency, and this year food production could be down by almost 30 per cent.

Cereal imports from the United States have been doubled to at least 7 million tonnes as a result.

Officials are arguing about who should take the blame for the food failure and in the past few weeks the finger has even been pointed at the United States.

An improbable accusation came from the Government's weather centre. According to its researches, backed by the Agriculture Ministry and avidly publicised by the local press, American experiments with hurricanes have diverted rains away from north Mexico. The United States has denied tampering with Mexican hurricanes.

The ordinary Mexican may not care much for political aspects, but the effects of inflation and the food failure are biting home. For example, the price of tortillas, the maize pancakes that form the basis of the traditional Mexican diet, has shot up 100 per cent over the past two years.

A recent Government report said that more than 40 per cent of the country's 70 million inhabitants suffer from chronic malnutrition. The Veracruz University Nutrition Institute said infant mortality had risen 10 per cent over the past five years because of undernourishment.

The Government is trying to right the imbalanced economy with an ambitious three-year "global plan" which envisages much higher public investment in agriculture, housing, health care and education – all areas which the 1910 Mexican revolution aimed to transform.

Under the plan more than 60 per cent of the estimated $41 billion gross earnings of the state oil company Petroleos Mexicanos will be diverted away from industry to such priority sectors.

The shift of investment to such non-productive fields may eventually alleviate some of the social injustices, but it complicates the task of dealing with inflation while maintaining the surge in industrial output.

The rural poor have relatively little clout, but the big trade unions, virtually all closely allied to the long-ruling Institutional Revolutionary Party (PRI), are another matter.

The unions have exercised restraint for the past three years – last year's average settlement was a comparatively low 13.5 per cent. But union bosses are now reporting that expectation of inflation and hopes of a share in the oil prosperity are producing pressures which could threaten the country's delicate political and social balance.

Fidel Velazquez, who has run the Mexican Confederation of Workers (CTM) for the past 40 years, warned the Government that there could be a "dangerous explosion" if prices continued to soar beyond wages. He called for a 23 per cent overall increase this year – a modest proposal compared to the 37 per cent currently demanded by Pemex employees.

President Lopez Portillo and his ministers argue that with its oil exports, due to be held a little over 1.1 million barrels per day (b/d) from the end of this year, Mexico should come through the recession unscathed. But that opinion is not shared by many foreign bankers in Mexico City.

The country is still closely tied to the United States economy, despite the drive for diversification. Some 70 per cent of Mexican exports go to the United States.

The drop in American demand for non-oil exports and a fall-off in tourist receipts will all have an impact on the Mexican economy. Mexico's creditors are watching all this closely.

Most bankers say they would like to see some action on inflation soon, but so far the magic of 50 billion barrels of proven hydrocarbon reserves has stopped them worrying too much. Their thinking seems to be that while Mexico has problems, almost everybody else is worse off.

Nobody thinks inflation and the growing imbalance of wealth is about to produce violent upheaval, but the Government has to get its strategy right to allay the spectre of possible unrest.

New Zealand exports to Mexico – mainly of dairy products, wool, hides and some meat – total about $4 million a year.

The Mexicans have shown particular interest in the availability of our dairy products, according to Walker. And they want technological help to expand food production.

Walker said the Mexicans were keen to discuss "all kinds of joint investment prospects" with the Muldoon mission.

MARKED SALARY DIFFERENCES IN DIFFERENT INDUSTRIES

The PA Greenwood Salary Survey brings to light quite marked differences in salaries paid to employees in different industry groups.

The average salary of a Chief Executive in New Zealand ranges from a low in one industry group of $26,920 to a high of $33,230 in another group. This is a nett difference in salary of over $6,000 for what is essentially the same task with the same responsibilities.

Similar gaps can be seen in middle and junior management positions. For example, the range of salaries for a National Sales Manager is from $19,610 to $28,450.

Further information on this survey is on Page 4 of this issue.

Public Accounts

Government spends faster than it earns

Economics Correspondent

THE Government's deficit before borrowing at the end of the first quarter of the financial year was over $795 million, an increase of almost 40 per cent on the shortfall at the end of the first quarter last year.

As noted by Finance Minister Rob Muldoon, a high deficit is a normal feature at the end of the first quarter. As the chart shows, the deficit for the June quarter is usually greater than that for the September quarter. And in a March quarter, the Public Accounts go into surplus as the Government usually earns more in income tax receipts than it spends during that quarter.

But for a June quarter, a deficit of $795 million is a record as the chart shows. It surpasses last year's figure of $594 million by $216 million.

This fact alone casts some suspicion on Muldoon's remark that tight control on Government expenditure was continuing.

And evidence of this tight control seems even more illusory when trends in Government spending are analysed. Government expenditure for the quarter was up nearly 35 per cent to $2232 million. As illustrated by the table, this amount equals 25 per cent spending appropriated in this year's Budget.

Last year expenditure for the June quarter rose by only 16 per cent and equalled 21 per cent of the amount appropriated. Actual figures for the year showed the Government was able to keep its expenditure within the level appropriated for financial year 1979/80.

So, if Government spending it to keep within the Budget guidelines this year, unusually tight control must be exercised over spending for the remainder of the year.

Muldoon attributed the large increase in Government spending to the 10.4 per cent back-dated wage rise paid to State servants in May. The hike in education spending reflected the additional salary payment made to secondary school teachers following their 1979 wage claim.

Another large rise was for debt servicing which is easily explained by the growing amount of internal and overseas debt to be financed. According to this year's Budget, total public debt outstanding at the end of March 1980 was $10,346 million. The cost of financing this debt is estimated at nearly $1000 million.

While back-pay contributed to the level of Government spending, it also contributed to a rise of 43 per cent in income receipt at the end of June compared with a budgeted increase of 20 per cent for the year.

But even with this substantial increase, income tax receipts fot the first quarter are only 12 per cent of the budgeted level. Last year they were 20 per cent of the Budget target and even then, the Government did not realise income tax collections as large as were expected.

Figures for the June quarter provide some evidence that the Budget deficit for the year will be higher than predicted. They suggest that the Government will be asking for more than the $250 million set aside during the supplementary debate later this year. But it is too early to forecast future trends with any accuracy. Last year's June quarter deficit was large and spending was running at a much faster rate than forecast, but by the end of the year spending slowed dramatically and the deficit before borrowing was less than forecast.

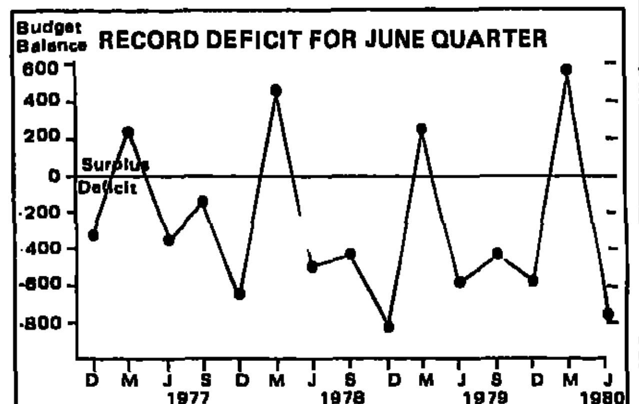
Perhaps one indication of the Government's expectation that its spending will rise above forecast levels (or that receipts will not be as great as expected) is the announcement of a new stock issue last month. The new issue will have a 13.3 per cent interest rate, just below the previous issue's record of 13.5 per cent.

The Government is not pushing this issue too hard, though. Muldoon said: "Unlike earlier stocks which were issued when subscriptions were received to Government loans, the new stock has been issued to the Reserve Bank." Members of the public are not entitled to take out this stock in their own right, but must do so by contacting one of the specialised dealers in Government securities who would be able to purchase the stock on their behalf.

COMPARING GOVERNMENT ACTIVITIES WITH BUDGET ESTIMATES

Expenditure (net)	1980 Budget Estimates	Actual June Budget Transactions $ million	% of Estimates
Administration	694	188	27
Foreign Relations	529	115	22
Development & Industry	792	190	24
Education	1,231	376	31
Social Services	2,443	597	24
Health	1,327	297	22
Transport and Communications	345	60	17
Debt Services and misc. investment	954	212	22
Inpresis[1]	—	152	—
Sub-Total	8,315	2,187	26
Supplementaries	250	—	—
Misc. financing Transactions	408	45	11
Total spending	8,971	2,232	25
Financed from:			
Income tax	5,400	656	12
Customs, sales tax, beer duty	1,216	227	19
Highways tax	182	44	24
Motor spirits tax	137	33	24
Other taxation	219	38	17
Total taxation	7,154	998	14
Interest, profits & misc. receipts	557	156	28
Suspence accounts[2]	—	283	—
Total receipts	7,711	1,437	19
Deficit before borrowing	1,260	795	—

1 monies spent but not yet classified 2 receipts not yet classified



QUARTERLY TRENDS IN THE GOVERNMENT DEFICIT SHOW CONSIDERABLE SEASONAL VARIATION. (June Quarters Circled)

OFFICE STAFF PAID MORE IN WELLINGTON

Firms in Wellington generally pay higher basic salaries to office staff than do those in other centres. This is the conclusion reached from the PA Greenwood Salary Survey.

The Survey includes 26 of the most common job positions found in offices. In the majority of cases the Wellington salaries exceed the national average and in some cases are as much as 12% higher.

Auckland leads the way in salaries in two areas, Confidential Secretaries and Payroll Clerks and Paymasters.

The Survey does not include salaries paid to government employees.

Further information on this survey is on Page 4 of this issue.

Liquor industry

Liqueur venture eclipses wine and beer exports

by Warren Berryman

AS Government and the Industries Development Commission consider the future direction of the wine industry, a relatively new liqueur venture eclipsed wine and beer in export performance.

New Zealand Wine and Spirits Ltd's exports of Tia Maria, the Jamaician coffee liqueur, have quietly overtaken exports of wine and beer. Chances are this is only a beginning.

Spirits like gin and vodka, and spirit-based liqueurs, show great promise as export earners because they have a distinct comparative advantage over wine and beer exports.

Seldom out of the public limelight, the wine industry has become something of a darling to the Government and the bibulous public alike.

Its spectacular rise from the plonk era of a decade ago to popular acceptance brought with it a marked change in Kiwi drinking habits.

Domestic wine production has more than trebled in the past decade. More significantly, production of table wines has increased five-fold.

The shift in product has been one from cheap sherry to prize-winning wines for an increasingly sophisticated market.

The wine industry is now under the cool, calculating eye of the Industries Development Commission and a Government interested in restructuring.

Wine prices have increased with its popularity. The Wine Institute is asking for greater protection from imports. In return for this added impost on the consumer, the industry promises to increase exports.

Tia Maria . . . already 700 cases to Australia

In the cold, hard economic world of international comparative advantage, the white spirit industry appears to be a far better bet in the export race.

This industry, producing spirit-based products such as gin, vodka, and liqueurs, has not enjoyed the same public limelight that has focussed on wine and has missed out on the Governmental favours showered on the industry.

In spite of the high degree of protection, wine exports have not been impressive.

Wine Institute executive officer Terry Dunleavy recently announced a 56 per cent increase in wine exports for the year ending June 30. Wine exported to 21 countries was expected to return $720,000 fob.

Next year, Dunleavy predicted, wine exports would bring in close to $2 million in foreign exchange.

This February, New Zealand Wine and Spirits obtained a licence to make Tia Maria here and market it in Australia and the East.

The first 700 cases were shipped to Australia a few weeks ago. Total exports for the first year of operation are expected to reach $5 million.

This level of exports is not subsidised by high prices in the domestic market. More than 90 per cent of the Tia Maria made here is exported.

Jamaica-based Tia Maria decided to regionalise its worldwide operation. New Zealand Wine and Spirits took the initiative in selling this country as a manufacturing base. Export incentives helped sweeten the deal.

Now the Jamaician factory will concentrate on producing the coffee-flavoured essence. Compounding the essence with rectified spirit will be done in Scotland for the European market and in New Zealand for the Australian and Asian markets.

NZWS's $1 million investment in the Tia Maria plant is only the first step in the company's export plans.

The plant can compound other liqueurs.

NZWS is negotiating with at least two international companies to make gin and vodka. One deal alone could lead to $2 million a year in gin exports.

NZWS also makes such spirit-based liqueurs as Pernod, Southern Mist, and Mandarine Napoleon as well as Gilbeys, Beefeaters and Schenley Gins and Smirnoff and Samovar Vodkas.

All that is needed now is for NZWS or some other liquor company to obtain licence rights to export these products.

The raw material for all these products is spirit produced by the New Zealand Distillery in which NZWS has an interest.

The New Zealand Dairy Co-operative recently geared up to make 3 million litres of alcohol a year from whey. The terms of the licence granted to the Dairy Co-op prohibit it from selling this alcohol for human consumption (possibly to protect New Zealand Distillery's monopoly.)

The alcohol from whey will be sold only for industrial use. The Irish use whey-alcohol to make liqueurs.

Whey is sugar-rich. As sugar prices increase, alcohol from this source will become more price-competitive. Whey, for the most part, is just a waste product of the dairy industry.

Competitively priced alcohol made from waste whey could provide a sound basis for future spirit exports.

Apart from the liqueur industry, alcohol from whey might form a base for a local cosmetics industry. Like liqueurs, alcohol-based perfumes are high-value products.

A cautionary point in the ethonol business is the huge growing production of ethanol in Brazil. Producing 4 billion litres of ethonol now, Brazil could boost production to 15 billion litres by 1985. Brazil is already dumping ethonol on the American markets.

Liquor Industry

Cashing in on established names and markets

by Warren Berryman

WINE and Spirits' export marketing strategy differs vastly from that of the wine industry. The company seeks to complement the strength of international brands, rather than compete with them.

The Tia Maria deal tied NZWS into a vast established marketing network with greater resources than most local companies could muster.

Tia Maria is already spending $1.1 million a year promoting its product in Australia. This led to a 20 per cent increase in sales in the first five months of this year.

NZWS will lock itself into existing brand names with established reputations and markets.

Local companies have to start from the ground up, building a market for New Zealand wine or beer.

Our overseas competitors have the advantage of years, if not centuries, in the market and have millions of dollars invested in marketing effort.

It will be expensive and difficult to establish any New Zealand beer or wine firmly on any major international market

The spirit industry is highly centralised. The breweries have sufficient domestic volume to achieve economies of scale. This has led to charges of monopoly but has the benefit of cutting capital cost per unit of production.

By contrast, the wine industry is scattered and capital-intensive with each winery owning its own bottling plant which increases unit production costs.

Both the wine and spirits industries suffer from high input costs in comparison with overseas competitors. Bottles and bag-in-a-box containers are about double the price here than in Australia. Cardboard cartons cost the New Zealander about 30 per cent more.

Both industries suffer the disadvantage imposed by New Zealand's high internal and external freight rates.

It is cheaper to ship a case of Tia Maria from Jamaica halfway around the world to Australia than to ship it across the Tasman from New Zealand.

Spirits and liqueurs have an advantage over beer and wine in that their fob values are higher relative to transport, bottling and packaging costs.

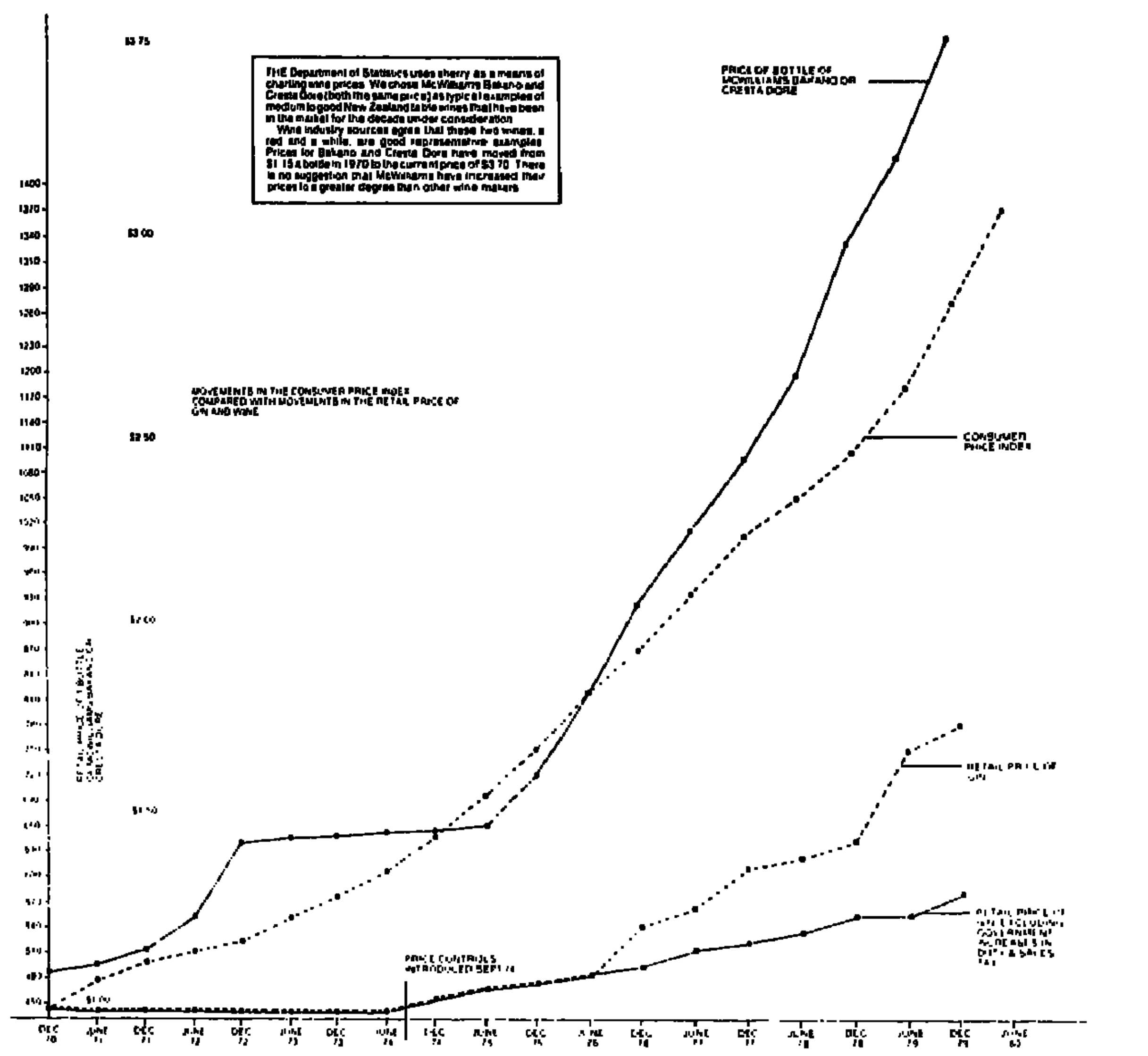
Transport costs can amount to 50 per cent of fob price for beer or wine, but amount to only 10 per cent or less of the top price of liqueurs.

Australia, the New Zealand wine industry's biggest competitor, has a distinct price advantage over New Zealand wine makers.

Contract-grown grapes here sell at about $370 a tonne. Australian wine-makers buy their grapes for $180 a tonne.

Prime grape-growing land in

Continued on Page 28



Liquor industry

From Page 27

Coonerwarra, Australia is $1000 an acre. Gisborne grape land sells for $6000 to $7000 an acre. And the Australians enjoy a better grape-growing climate.

It is hard to forsee this country being able to grow grapes at a cost comparable with Australia's.

Wine prices reflect this. According to the Wine Institute's Industry Study and Development Plan 1978, New Zealand wine prices increased 145.2 per cent between 1973 and 1978. Imported wine prices went up an average 34 per cent in the same period.

Sales tax contributes heavily to the high retail cost of a bottle of local wine. The tax, levied at wholesale level, is a tax, not only on the wine, but a 20 per cent tax on wine, plus bottle, plus corks, seal, distribution costs and mark-ups.

But in relation to other liquor products, wine has not fared too badly (as the chart shows).

Sherry and port are fortified with "grape spirit". This *soi dissant* "grape spirit" is made mainly from imported sugar but is not dutiable.

Locally made gin and beer are made from indigenous maize and barley and are dutiable.

The wine industry is popularly perceived as a cottage industry. And there are many small winemakers contributing to that perception.

But 70 per cent of the market share is held by four companies

- Montana (40 per cent owned by Seagrams of the United States of America);
- McWilliams (30 per cent owned by McWilliams Australia);
- Corbans (wholly owned by Rothmans);
- Cooks (30 per cent owned by Transvision).

	Alcoholic content by volume (approx)	Sales tax	Duty
Spirits	40 per cent	40 per cent	Depends on country of origin. Scotch: duty $39.55 on case of 750 ml bottles Locally made gin; $30.37 per case of 750 ml bottles.
Beer	3-5 per cent	30 per cent	Depends on country of origin and alcoholic content. Local premium beer $2.16 per 8 litre case.
Table Wine	6-9 per cent	20 per cent	Nil
Fortified wine (sherry)	19 per cent	40 per cent	Nil

The New Zealand wine industry has enjoyed a long period of protection. Now, its price increases have been so much greater than those of imported wines, it has wiped out the price differential protecting local wines from imports. The Wine Institute has asked Government to increase the duty on imported wines to protect local wine makers from competition.

In return, the Wine Institute promises to increase exports.

About 80 per cent of New Zealand wine exports come from Corbans. A good portion of Corbans exports are not the table wines for which the Wine Institute seeks protection, but sherry.

Corbans has 22 per cent of the sherry market in British Columbia. It has an office in Los Angeles serving the United States and Canadian markets and reports that its Liebestraum is selling well in California and Arizona through 400 outlets.

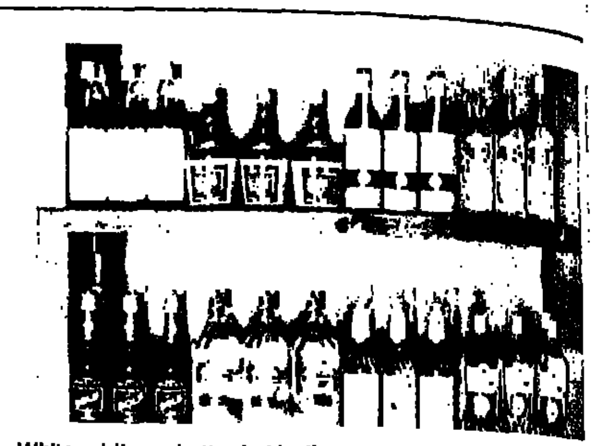
Apart from Corbans export effort, the wine industry's contribution to the export drive has been minimal — small indeed considering the level of protection and Government assistance granted to wine makers.

The cost of protecting the wine industry has fallen entirely on the consumer.

Wine is off price control, spirits are not.

Government sees the spirit industry as a monopoly in need of price control.

Ironically, gin prices remained stable until price control was introduced in 1974. Only after price control was introduced did gin prices start their slow rise.



White spirits . . . better bet in the export race

If the spirit industry achieved efficiencies through centralisation and economies of scale, it paid a heavy price. First by being seen as a dangerous monopoly likely to act contrary to the public interest and second by being held to price control.

Justifying price increases under price control is a cost-plus exercise. If company "A" and company "B" both make the same product at equal volumes and company "A" has only half the capital invested in plant invested by company "B", then company "B" can justify higher prices than company "A".

Price control penalises a company for minimising capital expenditure and maximising plant efficiency.

To justify a price increase for gin it might pay spirit companies to waste a million or so painting the factory, planting shrubs, or buying expensive machinery it does not need.

Contracting

Exclusion angers mechanical engineers

MECHANICAL engineering contractors, including the largest in the land, are angry at being excluded from a $4 million hospital contract.

Fletcher Development and Construction Ltd has selected three firms, including Fletcher Mechanical Ltd, to tender for this years plum job, the mechanical services for the Gisborne Hospital phase three contract.

Six firms expressed interest in the work: Harris Heating Services, of Rotorua; J Herries & Co Ltd; of Hastings, A & T Burt Ltd, of Lower Hutt; Chenery Ltd, Cooke Heating Ltd and Fletcher Mechanical, of Auckland.

Harris, Herries and A & T Burt, the largest firm in the field, were excluded from tendering.

Health Minister George Gair has declined to intervene on A & T Burt's behalf. He says that Fletcher Development and Construction is within its rights to select those subcontractors which it deems compatible and capable of performing.

Harris has asked Rotorua MP Paul East to investigate on its behalf.

All three firms are angry at being excluded from the contract at a time when work — particularly large contracts in the state sector — is declining.

And there are strong suspicions that Fletchers has no intention of letting a lucrative $4 million contract slip through its fingers.

There has only ever been one larger contract of its type, a $7.5 million mechanical services contract for Dunedin Hospital, now nearing completion.

That was won by Fisher and Paykel Engineering Ltd now a subsidiary of Fletcher Holdings Ltd, from A & T Burt.

More recently, Fletcher Mechanical is understood to have been keen to bid on every available contract, and in at least one instance undercut a lowest tenderer after bids closed.

Harris's Martin Harris said the firm's price for a multistorey office building for the South British Insurance Company in Hamilton was the lowest.

"But Fletchers offered to redesign the mechanical services and have now got the job," he said.

NBR understands the short list of suitable contractors was selected in close consultation with Fletchers Development and Construction because " the head contractor (Fletchers) has to be happy to work with the subcontractor selected".

NBR understands Fletcher's has already sought quotes from A & T Burt for certain sections of the work.

It was not done to call for bids from everyone in the country, Fletchers manager G S Hamilton said.

"Contractors do not have an unfettered right to bid for everything going," he said.

"We have been excluded from bid lists before and have learnt to be good losers".

The three tenders were opened by the Cook Hospital Board last month.

Ironically, Steel and Tube Holding Ltd, A & T Burt's parent company, is now owned partly by Fletcher Holdings Ltd, which has acquired a 22 per cent stake from British Steel Corporation.

Retailing

Saturday trading sinks into a swamp of rhetoric

by Allan Parker

THIS whole business about Saturday shopping has become a bit like the Prime Minister. You are either for it or against it; there's no middle course.

Even within the industry there has been bitter debate about the pros and cons of the scheme. So much so that the Retailers' Federation has virtually washed its hands of the entire affair.

It's easy to feel sorry for the federation, which has been caught in a cleft stick; how should it respond when its membership is so divided over the issue? Can it claim to represent the industry when some members want Saturday trading and others are totally opposed?

In the July issue of the federation's magazine *Retail News*, the "great trading hours debate" received comprehensive wrap-up treatment. Federation (non) policy was summed up thus: "The policy of the NZ Retailers' Federation recognises that there is division in the industry but it also recognises that legislation is inevitable. Opening hours will be decided according to patterns evolving in different areas and regions over time. In some areas, Saturday shopping may never be appropriate.

"The award makes Saturday opening possible by providing generous payment for weekend work. But retailers should beware of rushing into change before carefully considering the costs.

"In the final analysis, the federation no longer believes it is possible for any one group of retailers to prescribe national trading hours."

In other words: "You're on your own."

An editorial in that same issue admitted as much by reporting that "quite frankly, the (federation) board, pressed repeatedly for statements of policy, has wished the question would go away".

The major cause of conflict within the industry is basically the question of big versus small. Essentially, the big boys don't want Saturday shopping, the small retailers do. There are other side issues and instances where this does not apply, but it is the single largest factor.

This was highlighted just a week or two ago by a meeting in Wellington of representatives of 21 major retail stores. The group — including Farmers, Smith and Brown and Maple, Whitcoulls and Wrightson-NMA — came out against Saturday trading.

There were some notable exceptions, including James Smith and Christchurch's Ballantynes. Woolworths has previously supported Saturday shopping.

Such a group obviously wields a lot of political muscle within the retailers' ranks. Total turnover of the group is more than $500 million a year and total staff employed is 10,000.

One can sympathise with the big department stores; they can see their costs rising quite markedly with the overtime payments allowed for in the legislation. As most have their stores sited in city centres, the problem of inadequate weekend public transport — a notable feature of the New Zealand scene — will create major headaches for staff and shoppers.

Also, as one federation source told *NBR*: "Most of these big department stores are very conservative. They tend to be run by middle-aged men who are very inflexible."

So it becomes a Catch-22 situation for the small retailers who operate in the city centres. If the big department stores aren't open, will the shoppers come to town. If the small stores open, will the big ones be forced to come to the party? One suspects the city centres will generally be among the slowest to open their doors on Saturday.

Out in the suburbs, of course, it's a different story. That's where the heart of small retailing lies. And most support for Saturday trading. Increased suburban shopping is likely, particularly if the city centres are slow to respond to the opportunities. Saturday is the big shopping day in places like Britain, where not only mum, but dad and the tribe head off to the local High Street with the week's list.

One of the cons in the trading hours debate has been that trade will not in fact increase; that it will merely shift to Saturday from other days of the week. I suspect this is a fallacious argument. With more time to browse, shoppers are more likely to buy not only the item they want, but other purchases as well. Thus it becomes more of a money-go-round.

Yet even within the small retailers' ranks, opinions are divided about the merits of Saturday trading. The most notable opponents are the owner-traders, the one-man-bands. They can see their weekends completely disappearing Sunday, not Saturday, will become paperwork day, they argue.

Yet need that be the case? The Retailers' Federation has already given the answer, to a certain extent. The federation forsees a region by region, suburb by suburb response to the increased trading hours. Why, for example, cannot suburb A close on Mondays, suburb B next door, on Tuesdays and so on? That leaves Saturday free for all to catch the consumer dollar while giving staff and management a respite.

That system works well in Paraparaumu, just north of Wellington, where the shops close for a day during the week and open on Saturdays for the locals and others who come from throughout the region.

Admittedly it is a resort area which attracts visitors anyway, but this writer at least found it invaluable to have Saturday shopping available while commuting during the week into Wellington. The vast majority of other shoppers would find it equally so.

By now the reader will have grasped that this writer is anything but an unbiased observer of the debate; I am a firm believer in the necessity for Saturday shopping. The only aspect of the debate that surprises me is that it hasn't happened before.

Thus, many of the arguments that have been put up against Saturday shopping amaze me. The question of the great New Zealand weekend, for example. Saturday trading, the reasoning goes, will destroy life in New Zealand as we know it.

But what about the hospital workers, the taxi drivers, the posties, the dairy owners, the police, newspaper workers, firemen. They have families and they work weekends or shifts. They must be laughing up their sleeves right now.

Some of the "anti" arguments have been quite absurd. While it would be pointless exploring them all, there is one example that is worth examining in detail. This particular exercise was published by the New Zealand Shop Employees Association "in the interests of all New Zealanders for the Shop Employees Union". The four-page pamphlet discusses various aspects of the debate. One section reads:

"It doesn't make any sense to have all the shops open on Saturdays and the rest of industry and business closed. Widespread Saturday shopping would end up widespread Saturday everything. And sooner, rather than later.

"The transport industry would get dragged into the act pretty quickly, the banks would be forced to open, then loan and hire purchase firms and insurance companies. Storemen and packers would find themselves on the job at weekends along with clerical workers and others.

"It wouldn't be long before factories were working a full eight hours on Saturday, and perhaps the lawyers, dentists and doctors as well. How many people could do their Saturday shopping then? Right now, most New Zealanders work at the weekend if they want to. Not because they have to. We fought for the forty-hour, five day week. And got it. But widespread Saturday shopping could easily see us lose it. Saturday could become just another day you have to work. Whatever you do."

You can knock holes in virtually every sentence in that particular piece of diatribe.

In the long run, the argument, debate, emotion, threats, counter-threats and so on will really prove useless. The Government is obviously determined to push legislation ahead in one form or another. It is doubtful if it would have let kite-flying stay up as long as this, particularly as the question has become more turbulent.

In a way, the Government might even have done better to put the proposal off until next year. The debate has centred more around shops versus shops versus workers and not involved the main proponent. And, in election year, what better way to deflect voter attention away from the economy?

— Allan Parker is a freelance journalist.

SALARY INCREASES SLOW

"In the twelve months ended March 1980 average basic before tax salaries in New Zealand rose by approximately 17.7%, slightly less than in the previous year." This is one finding in the PA Greenwood Salary Survey.

In the same twelve months the Consumer price Index rose by 18.4%. This implies a reduction in the real level of before tax salaries, of just over .5%.

Rewards for skill and responsibility are narrowing. This is a reversal of the situation in the year ended September 1979 when there was a slightly faster rate of growth of salaries of Top and Senior Executives.

Further information on the survey is on Page 4 of this issue.

A SPECIAL NBR READER SERVICE
Company Report

Tasman

R.R. Trotter

TASMAN PULP AND PAPER COMPANY LIMITED

TWENTY-EIGHTH ANNUAL GENERAL MEETING

AUCKLAND – 17 JULY 1980

COMMENTS BY THE CHAIRMAN, MR R.R. TROTTER

The results for this past year represent a significant improvement over the difficult years following the major expansion of our pulp and newsprint mills in the early seventies. The Directors are recommending a one for three bonus issue as well as a substantial lift in the ordinary dividend which gives some recompense for the patience of ordinary shareholders over the past decade.

The fourfold increase in net profit – greater, if we ignore extraordinary items – was the result of a combination of favourable factors. The two most significant were the strong export markets and the greatly increased output from our mills.

We do not take credit for the strength of world demand but in the first year since we resumed full responsibility for the marketing of our products we have been successful in further developing and strengthening our penetration of overseas markets.

The increased production is the result of significant capital expenditure on existing plant combined with an improved industrial climate. As the Managing Director has pointed out in his Review, the better performance by the Company could not have been achieved without the support and efforts of the work force.

In my address to you last year I made a cautious reference to the improving industrial relations scene at Tasman and I pointed to the need for a higher quality of training for both management and Union leaders and a climate of improved trust and communication.

Towards these ends arrangements were made recently for the Tasman Relativity Working Party to make a brief study tour of industrial relations practices of the pulp and paper industry in British Columbia. The working party comprised Union officials, employee and management representatives. The manner in which the group approached the study tour and indeed the way in which they have tackled the several complex problems that came before them over the past twelve months is an encouraging example of what can be achieved with better understanding and co-operation. We will continue to build a climate of confidence and to improve the information available to our work force so that any differences may be discussed in an atmosphere of understanding and trust.

There have been comments about the fact that Tasman has no tax liability this year.

This situation is primarily the result of investment and depreciation allowances on the pulp and newsprint expansion in the early seventies which were designed for the very purpose of encouraging investment in such high risk, capital intensive projects. In the case of accelerated depreciation, tax is only deferred rather than foregone. The return on the Company's capital investment is still modest and our tax advantages will soon run out unless we undertake further major expansion.

As the country's largest exporter of manufactured products Tasman has earned export incentives of $10.7 million in the past year. To see them in the proper perspective these incentives averaged 7.6 per cent on export sales of 142 million. For a nation whose standard of living is inexorably tied to its success in exporting, such a level of encouragement is modest.

While on the subject of exports and your Company's leading role in this field I must say that we were pleased at the introduction last July of a clear, rational exchange rate policy. This policy has added stability to our planning and the government is to be congratulated on an important step forward.

In the first quarter of the current year production sales and profit are well ahead of those for the corresponding period for last year and are maintaining the levels achieved in the latter part of that year.

A levelling off of world pulp, timber and newsprint markets is now becoming apparent but we remain confident that our full output will be sold during the remainder of this year.

Looking to the longer term you will recall my announcement at last year's Annual General Meeting that feasibility studies of major expansion projects had been launched.

These studies, together with wider ranging strategic planning are now being accelerated. It is apparent that the skills and expertise available in your Company and its increasingly strong cash flow places Tasman in the position of being able to advance a range of development options which in the long run will have great significance for shareholders and for the nation as a whole. However, in the next decade these developments will be seriously constrained by the limited additional wood resources that are becoming available.

Difficult questions of national planning are involved. The Company will work very closely with the New Zealand Forest Service to determine the optimum utilisation of the resources of the Company and those which may be available from State forests.

Additionally we are continuing to acquire forest lands in the region surrounding our operations.

Since balance date we have acquired for cash forest interests in the eastern Bay of Plenty which have added 4295 hectares to our forest lands including 2035 hectares already planted.

It had been our original intention that the Accounts be prepared this year in compliance with the guidelines for current cost accounting issued by the New Zealand Society of Accountants in December 1978. However we found ourselves confronted with some difficult conceptual problems which we were unable to resolve satisfactorily in the time available. These problems relate in the main to determining the useful working life of our major items of plant. We hope to be in a position to produce current cost accounts in our next year's Report.

R. L. Trotter

R.R. Trotter
Chairman

HIGHLIGHTS OF THE 1979-80 FINANCIAL YEAR

SALES:
Up 43 per cent to record $208 million.

EXPORTS
Up 38 per cent to record $142 million.

NET PROFIT
Up $26.5 million to record $27.7 million (before extraordinary items).

NEWSPRINT PRODUCTION
Up 23 per cent to record 321,000 tonnes.

MARKET KRAFT PULP PRODUCTION
Up 15 per cent to 150,000 tonnes, the second largest annual output.

LOG PRODUCTION
Up 21 per cent to a record 2.1 million tonnes.

SAWN WOOD PRODUCTION
Up 44 per cent to record 176,000 cubic metres.

PROPRIETORSHIP RATIO
Increased from 52.2 per cent to 59.1 per cent.

DIVIDEND
Increased from 4.5 cents to 9 cents per ordinary 50-cent share.

NET FUNDS EMPLOYED
Up $8.3 million to $211.1 million.

NET PROFIT TO SHAREHOLDERS FUNDS
18 per cent.

EARNINGS PER ORDINARY SHARE
51.2 cents.

DIVIDEND COVERED
5.7 times.

Art

Gallery co-op draws overseas exhibitions

by Jacqueline Steincamp

THE difficulties of attracting touring cultural events to this country are becoming increasingly apparent.

So it is heartening to know that in the art world, at least, there should be more coming in from overseas, as a result of the move by three metropolitan art galleries in forming a "gallery co-operative". This will enable them to bid for major touring exhibitions which would be beyond the scope of any one gallery.

"As a co-op, we are able to function at the level of an important overseas gallery," said Dr Rodney Wilson director of the McDougall Art Gallery in Christchurch, one of the three involved. The others are the Auckland City Art Gallery and the National Art Gallery in Wellington.

The galleries concerned have tendered successfully for the $24 million Thyssen-Bornemisza collection of modern masters, and the $9.4 million collection of Byzantine and Russian icons from the Wijenburgh collection in the Netherlands. And then the headaches start.

Both exhibitions open at about the same time: the Thyssen at Wellington on September 3, and the Icon: Inspired Art in Christchurch on September 6 – engendering formidable logistic and staffing problems.

The massive (by New Zealand standards) outlay required to bring these collections here poses real marketing challenges for the galleries. The joint expenditure for the icons is $100,000. The McDougall alone must attract at least 33,000 people at $2 each before the Christchurch City Council can relax.

With a sophisticated "marketing mix" for the icon exhibition being determined to some extent by the Wijenburgh Foundation, the pressure is on for real management and marketing expertise, rather than ivory tower art specialisation – the same approach needed for any major product launch. The same initial creativity – and the same hard slog mopping up the details.

The major difference is that since the "product" is cultural and the sponsors are "non-profit", much of the publicity comes free. Newspaper, television and radio reporters and programme organisers are generous. But someone has to do the legwork.

The other difference is the time-consuming, often heart-breaking search for finance to back the paid promotion that is also demanded for launches of this scale.

Defining and reaching individual "publics" for the icon exhibition, as for any other, is a time-consuming exercise. School classes are seen as prime targets, since icons have a direct appeal for the young and un-

St Michael ... depicted in a Russian 15th century icon

jaded. And there is a strong historical element which widens the view of the world. But when most of us do not even know what icons are – how do you get them in?

The Wijenburgh has come up with bait just for this purpose. Each child attending the exhibition in a school party will receive, free of charge, a handsome full colour educational game to play during the visit.

Preview familiarisation programmes of colour slides, cassette tape and written text are available for purchase or hire by schools or anyone interested. These are being put together by the McDougall for use by galleries here and in Australia.

A direct mail campaign is being directed to schools within each gallery area. In the case of the McDougall, it's the entire South Island. In addition, there's back-up material for educational journals like the *Education Gazette*.

In Christchurch, gallery staff are lining up billets for what they fondly hope will be hordes of school groups from Invercargill to Cook Strait.

The merchandising material supplied by the Wijenburgh Foundation, with its own strong marketing approach, will set standards that are going to raise the sights for home-grown efforts. With about $9000 invested overseas for the use of all three galleries, there is an understandable apprehension about covering costs.

High quality video films and variable-dissolve big-image slide programmes with synchronised sound track will run continuously during gallery hours. About 3000 copies of the magnificent 272-page lavishly illustrated full-colour hard-cover catalogue are being imported. They will sell for $17.

Greeting cards, posters, reproductions and slide sets are available also, but are being prepared in Christchurch for sale in New Zealand and Australia.

At the community level, plans are underway to create a festive air during the opening weeks at each gallery.

This might seem incongruous to New Zealanders but, it is entirely appropriate to icons. In Europe they are associated with religious festivals, processions, fireworks, and all sorts of hoop-la in which the entire population participates with gay abandon. Not quite so easy here.

But the McDougall has been scouting for Greek dancers and bazouki players for the New Zealand opening and for later performances elsewhere.

A Greek Orthodox "thanksgiving service" is also planned for the gallery prior to the opening.

A Russian film festival is planned for the nearby Academy Cinema and a local drama group is putting on a suitable Russian play. All cinemas are being urged to run travel shorts on Russia and the Eastern Mediterranean area.

Static displays will be mounted in key areas, such as Cathedral Square and the street outside the gallery.

Transporting art collections around the world is not the same as moving soap from place to place. Within New Zealand, both the Thyssen and icon exhibitions will travel by Hercules at $6000 per hour. Baron von Thyssen stipulated that only a quarter of his collection can be carried on any one plane – four flights between Auckland and Christchurch.

Both exhibitions have to be "mothered" round the country and one of the conditions laid down by the Wijenburgh (and required by Huntington and Bloch, the American insurers of the icons), is that Rodney Wilson, the McDougall director, be responsible for the packing, unpacking and hanging at all the Australasian venues.

That is a lot of travel, and a demanding attention to detail as the 106 icons are each placed correctly in position in the 30 foam-lined packing cases.

Security is of prime importance. Extra security staff will be employed at all three galleries with police on 24 hour patrol at the Auckland Gallery.

The McDougall is using the occasion to propel itself into the twentieth century with the $12,500 purchase of the latest Philips integrated electronic alarm and surveillance systems. With unobtrusive mini television cameras monitoring various areas, invisible beams, heat detectors and a walkie-talkie link to the custodian, it will provide round-the-clock surveillance.

It is a lot of work for what some of us would airily dismiss as "just an art exhibition". But staff at the three galleries are delighted to do it, if it helps to enrich the hearts and minds of a wider section of the community.

"And – who knows," said Rodney Wilson, "in the event that we make a profit, we'll be providing a grant for a young New Zealand art historian with a background in Byzantine art, to join a Wijenburgh Foundation project in Crete."

Management game

Round 1 winners make giant profits in BMG

SOME of the largest profits seen in recent years have been achieved in round 1 of the International Computers Business Management Game run in association with *National Business Review.*

ICL administrator, Jane Thomas, said that in "stagnant economic conditions," 20 of the 285 teams amassed profits in excess of $20 million over the seven decision periods of Round 1. Two got over $25 million.

A head office team from the Ministry of Works & Development with Reg Mudgway as team chairperson managed a profit of $25.5 million. A new Dunedin entrant from a national firm of chartered accountants led by Peter West achieved profit of $25.3 million.

Success in BMG '80 is not guaranteed by being a well-known company or a previously successful competitor. Although some of the 1979 finalists are through to Round 2, last year's winner – Andrew King & Associates – were not so lucky.

Successful teams include three school teams, a number of Government departments and a wide variety of chartered accountants including most of the larger national partnerships.

Some private syndicates have also got through to Round 2. They include the Greta Valley farming syndicate from North Canterbury and the Puketahi Holdings team from Putaruru who won the BMG in 1978.

BMG . . . administrative staff from ICL

Thomas said teams coped remarkably well with the fairly stagnant market in Round 1. Most teams ensured good profits by raising prices to high levels. She said Round 2 forecasts will force teams to adopt quite radically different strategies as they cope with a "weak market showing signs of marked deterioration". This situation will give teams a chance to show their skills in a situation close to what is actually forecasted to happen to the New Zealand economy.

Round 2 consists of six decisions fed into the ICL 2904 computer weekly. Progress results on it will be carried in *National Business Review.*

The first and second teams in each Round 1 game are tabulated on this page.

Game code	Co. No.	Team name	[illegible]
AA	3	Advanced Meat Ltd Gisborne	[illegible]
AA	2	Chemby Marketing Ltd Auckland	[illegible]
AB	1	Auckland Hospital Board	[illegible]
AB	3	Borthwick-CWS Ltd Masterton	[illegible]
AC	3	AHI Plastic Moulding Hamilton	[illegible]
AC	5	BP (NZ) Ltd OR Section Wellington	[illegible]
AD	1	Freightways Data Centre Ltd Auckland	[illegible]
AD	4	Development Finance Corp of NZ	[illegible]
AE	1	Fibremakers NZ Ltd Papatoetoe	[illegible]
AE	2	JMI (NZ) Ltd Auckland	[illegible]
AF	1	Auckland Chartered Accountant	[illegible]
AF	3	Consumers Co-op Soc Ltd (Team 2) P NTH	[illegible]
AG	1	3 M NZ Ltd Auckland	[illegible]
AG	4	JYM (Team 2) Wellington	[illegible]
AH	5	Databank Systems Ltd, Wellington	[illegible]
AH	3	Phillips Enterprises Matamata	[illegible]
AJ	5	Alliance Freezing Co (Southland) Ltd (Team 1)	[illegible]
AJ	1	Auckland Chartered Accountant	[illegible]
AK	3	Alliance Freezing Co (Southland) Ltd (Team 2)	[illegible]
AK	1	Precision Plastics Ltd (Auckland)	[illegible]
AL	2	NZ Apple & Pear Marketing Board	[illegible]
AL	4	Fletcher Woodpanels Ltd Taupo	[illegible]
AM	6	National Chartered Accountant (Chch Team 2) (BBS)	[illegible]
AM	2	Dept of Statistics Auckland	[illegible]
AP	2	Dept of Trade & Industry Wellington (Team 1)	[illegible]
AP	5	Wix Corporation NZ Ltd Auckland	[illegible]
AS	2	St Peters College (Team 2) Auckland	[illegible]
AS	4	Dept of Trade & Industry Wellington (Team 2)	[illegible]
AT	4	Ciba-Geigy NZ Ltd Auckland	[illegible]
AT	3	Dunedin Syndicate	[illegible]
AW	5	MGE Management Consultants Wellington	[illegible]
AW	3	WR Grace (NZ) Ltd Auckland	[illegible]
CA	2	St Peters College (Team 1) Auckland	[illegible]
CA	4	National Chartered Accountant (Chch Team 1) (BBS)	[illegible]
CB	4	Lawrence Anderson & Buddle, Chch (Team 1)	[illegible]
CB	3	National Chartered Accountant, Hamilton Team	[illegible]
CC	4	Chartered Accountant Hamilton	[illegible]
CC	5	UEB Industries Ltd Mangere	[illegible]
CD	2	Paul Weatherburn & Associates Auckland	[illegible]
CD	1	UEB Industries Papatoetoe	[illegible]
CE	1	Canterbury Frozen Meat Co Ltd (Team 2)	[illegible]
CE	3	Hauraki Catchment Board Te Aroha	[illegible]
CF	1	Winstone Wallboards Ltd Penrose	[illegible]
CF	2	Wilkinson Wilberfoss & Co Auckland	[illegible]
CG	2	Progeni (Team 2) Lower Hutt	[illegible]
CG	5	Aulsebrooks Ltd Otahuhu	[illegible]
CH	6	Wgtn Area Car Assembler	[illegible]
CH	4	Rotorua Heating Co Ltd	[illegible]
CJ	4	National Chartered Accountant Dunedin Team	[illegible]
CJ	1	Dept Social Welfare Head Office Wellington	[illegible]
CK	1	BE Consolidated Auckland	[illegible]
CK	4	Wingate Weekend TV	[illegible]
CL	1	Wormald Bros (NZ) Ltd Porirua	[illegible]
CL	5	Auckland Importer & Distributor	[illegible]
CM	2	Addax International Auckland	[illegible]
CM	3	Chem Industries (NZ) Ltd Dunedin Team	[illegible]
SA	3	Greta Valley Syndicate North Canterbury	[illegible]
SA	5	Lion Breweries Ltd (Team 1) Wellington	[illegible]
SB	1	Ministry of Transport (Team 2) Wellington	[illegible]
SB	4	Central Nth Is Timber Co (Team 2)	[illegible]
SC	3	B R Smith & Associates Wellington	[illegible]
SC	2	NZ Electricity Dept, Wellington	[illegible]
SD	2	Ministry of Transport (Team 1) Wellington	[illegible]
SD	3	National Chartered Accountant, Wellington Team	[illegible]
SE	4	NZ Railways (Team 1) Wellington	[illegible]
SE	5	Canterbury Savings Bank (Team 2)	[illegible]
SF	1	Canterbury Savings Bank (Team 1)	[illegible]
SF	2	Govt. Life Ins Office (Team 3) Wellington	[illegible]
SG	1	Central Nth Is Community College (Team 1)	[illegible]
SG	6	National Chartered Accountant Dunedin Team (BBS)	[illegible]
SH	2	Govt Life Ins Office (Team 2) Wellington	[illegible]
SH	4	NZ Steel Ltd Auckland	[illegible]
SJ	1	Unilever (NZ) Ltd Hastings	[illegible]
SJ	5	DB Sth Is Brewery Ltd, Timaru	[illegible]
SK	1	Education House Ltd Wellington	[illegible]
SK	5	Chartered Accountant Rotorua	[illegible]
SL	1	Paterson Valentine Gordon & Assoc Hamilton	[illegible]
SL	5	National Chartered Accountant Chch Team	[illegible]
SM	1	AM Satterthwaite & Co Ltd Christchurch	[illegible]
SM	5	Cobut Agencies Ltd Auckland	[illegible]
SN	1	MWD Turangi	[illegible]
SN	2	Fellex Head Office Auckland (Team 1)	[illegible]
SP	3	Tasman Pulp & Paper Co Ltd (Team 1)	[illegible]
SP	4	Transpack Industries Ltd Auckland	[illegible]
SQ	3	Tasman Pulp & Paper Co Ltd (Team 3)	[illegible]
SQ	2	Bata Company (NZ) Ltd Wellington (Team 1)	[illegible]
SR	6	Lawrence Anderson & Buddle Chch (Team 2)	[illegible]
SR	3	Tasman Pulp & Paper Co Ltd (Team 2)	[illegible]
WA	2	Shell Manufacturing (NZ) Ltd Wgtn (Team 1)	[illegible]
WA	5	PO Engineers Rotorua	[illegible]
WB	1	Rotorua Boys High School	[illegible]
WB	5	AMP Acceptances (NZ) Ltd Wellington	[illegible]
WC	3	Rangipo Syndicate	[illegible]
WC	6	NZ Fibre Glass Ltd Auckland	[illegible]
WD	4	Dalgety NZ Ltd Wellington	[illegible]
WD	2	NZ Safety Ltd Auckland	[illegible]
WE	1	CBA Bank Wellington	[illegible]
WE	4	IDAPS Computer Science Auckland	[illegible]
WF	4	Environ Mechanical Services Proprietary Ltd Wgtn	[illegible]
WF	5	Babcock Engineering Ltd Wellington	[illegible]
WG	5	Mauri DYC Foods Auckland	[illegible]
WG	3	Lime & Marble Nelson	[illegible]
WH	3	Puketahi Holdings Putaruru	[illegible]
WH	4	Ford Motor Co (Team 1) Lower Hutt	[illegible]
WJ	2	Ford Motor Co (Team 2) Lower Hutt	[illegible]
WJ	5	National Chartered Accountant (GFM) Auckland (Team 1)	[illegible]
WK	1	National Chartered Accountant (GFM) Auckland (Team 3)	[illegible]
WK	4	National Chartered Accountant Wellington (Team 3)	[illegible]
WL	1	MWD Head Office (Team 1)	[illegible]
WL	4	Auckland Chartered Accountant	[illegible]
WM	4	MWD Head Office (Team 2)	[illegible]
WM	1	National Chartered Accountant (Auck Team)	[illegible]
WN	4	NZI Finance Ltd (Team 2) Auckland	[illegible]
WN	5	DG Eadie Syndicate Auckland	[illegible]

THE teams whose profits are bracketed were unsuccessful in going through to Round 2 because of the size of the winning margin.

Motoring

Japanese brake on bends in the eighties

by Ayako Doi
of the *Financial Times*

JAPANESE car exports in May reached 498,171 units, the highest level for a single month. Japanese cars have never enjoyed such worldwide popularity.

In the United States one in five cars sold on the market is Japanese-made. In Europe, although the number is still small – 89,702 in the nine EEC countries in May – the Japanese share is increasing rapidly.

Sales in the Middle East jumped almost 80 per cent from the corresponding month last year to 50,000, the majority of them to Saudi Arabia. The gain in South America was 140 per cent for the area and 240 per cent in Chile.

Japan has beaten the United States as the world's biggest car producer in the first six months of this year by producing 5.46 million vehicles compared with United State's 4.42 million. Toyota and Nissan count themselves among the top three car makers of the world along with General Motors. They are likely to stay there for the whole of 1980.

Other car-producing countries, notably the United States are depressed. The number of cars sold by the top four American manufacturers fell 37 per cent from last year to the lowest level in 20 years. Production in the third quarter (July-September) is expected to remain at the low level, leaving the already unemployed 320,000 workers out of work.

Ford, in West Germany experienced a 15 per cent loss in sales in the first four months of 1980, but the market share of the Japanese imports doubled from last year to over 10 per cent. In the United Kingdom, 14 per cent of the market is taken by the Japanese. The figure is up to 29 per cent in the Netherlands.

In the eyes of those whose markets are invaded, Japanese makers are expanding their sales at the cost of local industry. The Japanese, view, is that their products are simply filling the demand that local manufacturers cannot supply.

The reason for the remarkable performance of Japanese vehicles, is fuel efficiency and their consistent fine quality, two factors which were underlined in a recent report prepared by the American House of Representatives' subcommittee on trade, headed by congressman Charles Vanik.

The Japanese confidence in their products might explain their apparent composure to restrict the Japanese imports.

They do not officially talk about collaborating to restrain exports, which would violate the Japanese anti-trust law, but observers agree they are ready to make some sort of concession.

At the base of such tolerance is an assumption that the Japanese cars will remain popular in the American market, no matter how entry is restricted, until the American small-car production comes in full swing in the mid-1980s.

"The Americans are just starting with fuel economy, while we have been concentrating on it since before the oil crunch," says Nissan's Mr Arai. "It takes time to find the ideal balance between smallness of space and comfort, lightness of materials and solidity, and cleaness of exhaust and fuel-economy."

The Vanik Report states: "The American auto industry will probably continue to lose much of the small car market to imported models until at least the 1983 model year starting in September, 1982. If gasoline prices continue to rise faster than the general inflation rate, American production levels will be inadequate until late 1983."

The American Department of Transportation estimates that production of newly-designed, fuel-efficient cars will go up from the present 1.8 million units to 4 million in 1982. The capacity is expected to reach 10 million or 11 million units by 1985, of which 6 million will be produced by General Motors.

Assuming the American auto market stays at the present size of 10 million units, with 60 to 65 per cent devoted to small cars, General Motors alone can provide all the small cars American consumers need. Even if the share of small cars increases to 80 per cent of the market, imports will have to be drastically reduced to accommodate American products.

And what will happen to the Japanese industry? "Our sales will no doubt suffer considerably," concedes Nissan's Mr Arai. Starting an assembly line in the United States is no solution. If the decision is made to invest in the United States, the first American-made products would not hit the market for two or three years, and collide with newly introduced, and probably cheaper, domestic models.

Honda has announced its plans to build a passenger-car assembly facility in the United States, starting operation in 1983. Obstacles are greater for Toyota and Nissan which, unlike Honda, have many different lines of products. Nissan's decision to assemble pick-up trucks in the United States is considered to be a response to the threatened lifting of import tariffs on truck parts from 4 per cent to 25 per cent.

"Whatever the problems are at the moment," said an industry analyst at Nomura Research Institute, "this is only a semi-final." The final match will be fought when the American industry is prepared to fight on equal basis with the Japanese for the sub-compact market.

The Japanese makers are proud of their quality but they do not under-estimate the technological potential of their American counterparts.

With prices higher than the American products, the Japanese auto-makers will need something more than superior workmanship to beat the Americans, specially if they are going to use American labour as well. They have tried front-wheel drive, lighter materials and a wider application of electronic devices. They are working on other new technologies, such as radar cars or camera automatic driving.

The electric car might change the whole picture of the industry in the 1990s. Until then Japanese makers will have to defend themselves with the shield of "quality".

In Europe: "We might go up to 10 per cent of the EEC market, but no more." The 1980s for the Japanese auto industry might not be as smooth as the past decade.

Ford under challenge for top spot on market

LARGE four-cylinder cars are clearly in demand, according to the latest Post Office motor registrations to June.

Cars with engines of 1600 to 2000 cc captured just under 35 per cent of all new car sales for the first six months of the year, compared with 31 per cent for 1979. For May and June the share was closer to 45 per cent.

According to the statistics, Ford Motor Company continues to dominate the market with enough sales to capture the top slot for the first six months of 1980. It has been the market leader for some years, but its supremacy appears to be threatened.

On a monthly analysis, Todds has been number one seller for three of the past six months, including May and June. About 200 units separate the two car assemblers.

The Todd dealer line-up appears to be more modern than the Ford collection, which will probably be enough to see Ford collection, which will probably be enough to see Ford relegated from the top position.

Third in the registration stakes is Toyota, which displaced New Zealand Motor Corporation in January and has held its level since. The Toyota people hope to see themselves at the top by the end of the year.

They have the new Corolla range and a new five-door Starlet as their weapons. Ford might end up number three.

The poor performer title must go to General Motors – suffering from an unsuitable range of cars for volume sales. GM's *nadir* was in April, when it was trounced by Mazda and Datsun into seventh place. Since then the 1980 Chevette and more important, the four-cylinder Commodore have been launched.

GM will be looking to the Commodore for a major boost to sales to remain competitive.

By the end of June it had regained some sales, but there is a long way to go before it is in the league of the big four.

The biggest movement in the market has been the shift to further reliance on Japanese-supplied motorcars. In the last six months these have accounted for 57 per cent of all sales, a share which appears to be improving.

May saw 63 per cent of all cars registered coming from Japan.

Total registrations to June, excluding cars that have already been registered overseas, are 35,715. The corresponding figure for 1979 is 33,597.

All six months have recorded higher units than the same months in 1979.

The figures suggest that 1980 registrations reach 75,000, well up on the 68,159 for 1979. If that level is reached, it would be the best year for the industry since 1975, when 83,612 new cars were registered.

Office equipment

Competitors converge on the paperless boom

by Peter Isaac

THE battle of convergence is set to start within the next two years. It will cost anywhere between a $1 million and a $1 billion.

The prize: the fabled all-electronics office of the future. Simply, the all-electronic office referred to in New Zealand as the "paperless" office, will be the biggest industrial money-spinner in the next 20 years.

At home and abroad, resource companies are frantically trying to buy into the office equipment market to get a leg on the escalator up to the electronic office.

IBM, Burroughs, and ICL are suddenly confronting a new, unexpected field of challengers. The latest newcomer is Volkswagen which recently bought from the United States Litton Industries, the German Adler typewriter company.

Volkswagen followed a path blazed by Exxon, developer of the Qyx typewriter, due to be marketed in New Zealand at the beginning of 1981.

In a flurry of recent activity, the French electronics group CIT Alcatel bought the office machinery division of Roneo Vickers. GEC's chairman Sir Arnold Weinstock snapped up the huge Chicago-based office products company of A P Dick.

Simultaneously Philips, the biggest chip maker in Europe began to restructure itself specifically to take on the electronic office.

All these companies, and several more, have hard-driving representation in this country. They are now actively involved or standing by to "converge" a new typewriter onto the market.

At the centre of the new game will be a single console on a decision maker's desk. It will be all that's needed.

None of the convergence game players have all the components needed to win – although it would seem that IBM has the stronget hand.

The giant companies involved in the convergence strategy are trying to build the office in the 1990s around the product in which it has the strongest market position today. Rank Xerox is angling to build the market around its copying technology, and IBM around the large scale data processor.

The build-up leapt forward this year with the Detroit plight which indicated that the transport fuels bonanza was ending even more rapidly than was at first thought.

Office equipment now represents the main thrust of Exxon's diversifications.

Behind the issue is the obvious fact that world wide, a higher proportion of people than ever before are in working offices. Indications are that each local worker is backed by an average investment of $22,000, each agricultural worker by $40,000 – the average office worker by only $5000 including desk, chair, and ruler.

In the battle to capture such a spectacular growth market are a number of smaller actions toward the specific objective of the name above that single console.

The overriding strategy is for companies to get as big a stake in the future while doing as little possible damage to the sales of the current product lines that will pay for the investment.

IBM would like to see systems adopted which rely on its big processors. Rank Xerox and Philips both stress the significance of small computers for flexibility and privacy.

Lurking in the forest are the energy companies, waiting to see which direction the market is going to take before they come into the open with their billion dollar war chests from oil sales.

One of the most decisive indicators for New Zealand in this battle is in the endless skirmishing between the mini computer and the big centralised processor.

The big machines are beginning to look winners in this endless philosophic skirmish. The fallout from the Health Department fiasco has not helped the cause of the smaller machine.

One of the most intriguing aspects of the convergence strategy is that the victor may not necessarily be a big name in computing. The copying business, at first sight seemed an unlikely route for a company to take toward the all-electronic office, specially when you consider that in the final stage of its development the office is supposed to be paperless.

Another likely entrant into the convergence race is the family-controlled Gestetner company, represented here by Armstrong and Springhall. And watch also for Olivetti.

The advent of the convergence era puts manufacturers from a market point of view, back to the 1960s. Then, users plumped for just one make of system, before mixing their brands.

With convergence, users will of necessity have to fall down on the side of one make simply because the whole purpose of the system is to provide an integrated whole from one source, with one servicing agreement.

Convergence should not panic the market here. The rush to computerise that was such a feature of 1970-75 need not be repeated. Users should tarry a while, avoiding high up-front costs, then hanging back for the big post-development price-performance benefits.

Books

Volume hits bludger image

by Gordon McLauchlan

DEBRA Sara is a 26-year-old Australian woman who knocked around in a few unskilled and semi-skilled jobs when work was easy to get, and then after a year at university volunteered to set up a self-help group for unemployed youth near Melbourne.

She had to resign after 15 months because of the strain of working with stressed young people – and she found herself unemployed.

So she wrote a book, a slim volume which has sold well in Australia, called *How to make the most of living on the dole.*

It aims to break down the "dole-bludger image" and to encourage the unemployed themselves to help achieve this. It also encourages young people to take a positive approach to getting a job.

But in a most practical way, *How to make the most of living on the dole* teaches just that – with advice on how to get the dole, what sort of person they will be dealing with during the application stage, how to live cheaply and budget simply on a reduced income, how to use spare time constructively, whether to live in the town or the country.

This is a useful book for young New Zealanders in the same position, at least until a local version is published, hopefully soon.

Sara has been deeply shocked by her experience, first in helping the unemployed cope with their situation, and secondly coping with unemployment herself. In a foreword that aches, she writes:

"Had I not worked on this project (helping youth), I wouldn't have believed that so many people of all sorts, from all walks of life, skilled and unskilled, educated and uneducated, could be reduced to the status of unemployable, and I wouldn't have realised the full effect that this has on the individual. The situation is very real to me. These aren't statistics to me, they're real people whom I know well and feel for.

"However, the most politicising and most valuable experience for me was my unemployment. I knew what happened to other people but I really didn't think it would happen to me. I'd never had trouble getting a job before, and I had experience. But I appeared to be unemployable too. I experienced so many rejections that I applied for fewer jobs so that I'd get fewer knock backs. This is the reality. You'd have to have a very thick skin not to be affected this way ..."

There are indications that unemployment may become to the 1980s what racism was to the 1970s. Businessmen could start a course of understanding the unemployed by reading this small, moving book.

MARGINS FOR RESPONSIBILITY NARROW

The margin between salaries paid to senior executives and those at lower levels continues to narrow. This trend is evident from the PA Greenwood Salary Survey. In March 1979, the before tax salary of the Senior Shorthand Typist was just under 30% of the Chief Executive's. One year later (in March 1980) it has moved closer to 32%. In another example, the salary of a Design Draftsman has moved in twelve months from 54% to 56% of that of the Senior Executive's in charge of the Engineering Function.

Similar movements can be seen in salaries in the Manufacturing and Operations Functions.

Further information on the survey is on Page 4 of this issue.

Teams give race edge

INDIVIDUAL New Zealand authors have been racing to complete books on the Mount Erebus DC10 crash, but in Britain nowadays this kind of assignment is more commonly undertaken by teams of journalists, researching and writing as a group and moving current events into book form with astonishing speed.

Remember that siege of the Iranian Embassy in London in the first week of May? The paperback, published by the *Observer* in London and Sun Books, Melbourne, was on sale in New Zealand before the end of June.

The book was conceived two days after the end of the six-day siege. The team assembled and the final chapters were handed to the publisher one week later. Those working on the story – entitled *Siege* by the way – were: George Brock, Robin Lustig, Laurence Marks, Robert Parker and Patrick Seale with help from Maureen McConville, and special research by Paul Lashmar. It was edited by Donald Trelford, and the introduction was written by fiction spymaster, John Le Carre.

The book bears some traces of its hasty compilation, with areas of confusion where the story departs from its natural time sequence and backtracks on the movements of the gunmen and on the biography of the police leaders and negotiators.

But it carries a gripping chapter on the Special Air Services, the unit which supplied those heroes of the bloody *denouement* inside the burning embassy, proving, if we really needed to be told, that men trained to be so decisive and ruthless cannot escape a penchant for lethal brutality.

Whatever its flaws, *Siege* is a timely summary that rounds out the story while the fragments we got from television and the newspapers are still fresh in our minds.

In a more sedate and considered way, another team has put together a full and detailed background to a spate of armed robberies that cost London banks hundreds of thousands of dollars during the four years 1969-1972. The police were unable to get a lead for years and weren't even sure if the jobs were pulled by the same gang.

Cops and Robbers by John Ball, Lewis Chester and Roy Perrott (Penguin) uses some of the techniques of the thriller writer to tell the story of the unmasking of the loosely structured gang of robbers, their arrest, prosecution and eventual imprisonment following one of the most remarkable confessions by a gangland figure in modern times. It is a gripping real-life crime story.

Procurements and preferences differ over Tasman

Melbourne Correspondent

A STUDY OF trans-Tasman Government procurement by the Australia-New Zealand Businessmen's Council shows major differences between the two countries despite similar principles and objectives.

New Zealand has a centralised purchasing organisation, the Government Stores Board. Government Departments operate under its delegated authority. But it does not have power over statutory authorities.

Australia has no such organisation, except for certain types of purchases (automatic data processing equipment, printing, and so on).

The purchasing division of the Australian Department of Administrative Services has an advisory role.

The Australian preference scheme is more stringent than the New Zealand preference scheme. It appears to give a greater degree of protection to local suppliers than New Zealand's.

No special preferences are accorded by Australia to New Zealand goods, except under the Australian tariff peculiar to New Zealand.

In contrast, New Zealand gives a 5 per cent loading in favour of Australian tenders (and to tenders from Canada or Third World countries) in cases where there is no New Zealand supplier.

But when New Zealand goods are available, a level of protection higher than the tariff plus an additional 10 per cent is not normally given.

Australia has a formal offset policy for overseas purchases of more than \$A500,000. New Zealand invites offset proposals (and counter purchasing and favourable credit offset) for all overseas tenders of more than \$3 million.

Australia publishes details of all contracts let of more than \$A1000 in the *Commonwealth Gazette*, providing name of successful tenderer, description of goods or services, and amount of contract.

In New Zealand, no information on contracts let is published except for some civil engineering projects.

The council's study also examines the prospects for increasing trans-Tasman Government purchasing.

Steel, power station equipment, general plant and equipment, electronic goods and timber appear to offer the main continuing prospects for Australian firms selling to the New Zealand Government. Competition from Japan, Korea, the United States and Western Europe will continue.

Prospects for New Zealand firms in the Australian Government market will be affected by the slowing rate of increase in Australian Government expenditure. Their prospects are also limited by the fact that New Zealand does not manufacture many of the items which the Australian Government imports.

Competition with Australian manufacturers who supply goods to the Australian Government is limited by the fairly tight Australian preference rules.

The study found a number of barriers facing Australian firms bidding for New Zealand Government contracts:

- A possible tendency to prefer Japanese or American technology for little sound reason;
- Some problems in meeting New Zealand standards or specifications which are often different to Australian standards;
- For defence tendering, a lack of continuity of work;
- The inability of Australian firms in many cases to offer offset arrangements, putting them at a particular disadvantage with organisations from State trading countries.
- Quantitative restrictions on imports of certain goods.

For New Zealand firms bidding for Australian Government contracts the problems are:

- The Australian preference arrangements, particularly for State Government contracts
- Late receipt of information calling for tenders;
- Lack of time and preparing offers before the closing of tenders (Australian firms also complain about this)
- For defence contracts, a lack of continuity of work and strict quality guarantee requirements.

The council advocates a detailed study of the possibilities of standardisation of certain types of plant equipment between Australia and New Zealand Government requirements, with a view to joint production or possible joint procurement.

Telecommunications, radio equipment and defence equipment appear to offer the most useful possibilities.

It also urges the two Governments to examine the impact of the existing preference policies on trans-Tasman Government purchasing with a view to their phasing out.

Putting a mirror to tomorrow's Maori moguls

By Allan Parker

A SCORE of budding Maori entrepreneurs are now in the outside world waiting for their first million to roll in.

Twentyone men and women have just completed a business management course designed to turn potential Maori small business winners into successes.

The nine-week, live-in course at Paraparaumu Beach, north of Wellington, was organised by the Department of Maori Affairs under its Tu Tangata (Stand Tall) scheme — the one that got Ben Couch into hot water after his Sydney trip.

Any Pakeha would probably give their eye teeth to do the course. The participants, chosen for their entrepreneurial potential, put forward a business scheme. By the end of the course they have got a solid business plan for several years in advance (a plan that would be the envy of the biggest corporations) which should enable them to get finance from the most conservative of lenders.

The imported course was conceived by the Hawaii Entrepreneurship Training and Development Institute (HETADI), a non-profit organisation which conducts these courses around the world. It specialises in taking students from among socially and economically disadvantaged groups and ethnic minorities with a focus on small business and first-time ventures. Chairman of the HETADI Board and Paraparaumu course director was Hawaiian Dr George S Kanahele.

He said. "Our philosophy is that the entrepreneur can be trained, providing that there is the natural set of attitudes and abilities. A great deal of research has been done both in Asia and the United States on identifying these entrepreneurial characteristics."

The course is designed to help students discover their individual weaknesses and strengths so they might overcome their weaknesses.

"Our basic premise is that the business is 'you'. One flaw in the personality can undo a billion dollar industry; we want to find that flaw and overcome it.

"So we put a mirror up against each person. Few people have a chance to do that and do it in a setting that is constructive, efficient and effective.

"Some of the participants went through a crisis during this exercise. We try to weed out the group in the first week; after all, if you can't take it in an artificial situation, you can't in real life."

For the first time in the history of the courses, all 21 participants (seven women, 14 men) graduated.

Kanahele attributes this, in part, to the feeling the students had of being guinea pigs for New Zealand Maoris, a sense of being Maori, and a sense of demonstrating that they could do it.

The second part of the course, including a two-week field study, is aimed at forming a business plan based around the venture each participant has in mind.

Kanahele said: It's a fairly intensive exercise in setting goals for the business and in outlining the steps necessary to achieve those goals in a definite, limited time frame."

The business plan includes market research (including data on competitors, products, customers, the particular industry as a whole and so on), financial forecasting and budgeting.

That business plan is presented to the other students, the course directors and a panel of selected business people and bankers or Government loan officers. The business plan, becomes in effect, the graduation diploma.

The businesses involved in this first-time course were varied. They included horticulture projects (avocados, blueberries, flowers), aquaculture (oyster and mussel farming), and service industries such as night clubs, autocustomising, labour contracting, fire control service and maintenance, Polynesian fast-food, a camping resort and Maori crafts.

Some of the students were already in business but needed some guidance for expansion. Others were first-timers with a business idea but no resources to develop it.

"A lot of the students were talking of making a lot of money at the end of the course, says Kanahele.

"That's pretty uncommon talk for Maoris; it goes against the grain, the traditional notion of sharing. But it is quite consistent with the Tu Tangata idea of self-reliance — do unto yourself first."

Co-course director Dr Ngatata Love agreed that entrepreneurship is an individual factor but said: "That doesn't mean that these students were only interested in gain for themselves. They want to use their particular talents for others. The two aren't incompatible." But "they have to be successful first before they can assist others."

Significantly, over 50 per cent of the business plans produced at the course were based on the use of Maori land and water resources.

"One can identify among the Maori people a thrust to utilise what they have, to create employment and to use for productive purposes," said Love, director of Massey University's Management Educational and Development Centre.

Pakeha involvement was strong throughout the course. The Chambers of Commerce, the traditionally-Pakeha lending institutes and leading business people provided a strong presence.

The chambers' small business co-ordinator, Ben O'Connor, was one of the most enthusiastic supporters of the course — and its underlying Tu Tangata principle.

"It was one of the most significant things to happen in the business world in New Zealand for a long time, he enthused. "The students themselves were one of the finest group of people I've ever met."

Speakers included Alan Simm, the chamber's executive vice-president and vocal free enterprise campaigner, Steve Reidy, Wellington chamber president and chairman of the national small business group committee, former Dulux (NZ) MD Sid Chambers, and ex-Challenge Finance chief exexutive Jim Francis.

The students themselves? Unanimous approval. One example — an ex-Mongrel Mob leader with nine years' prison behind him: "I'm hoping to be like a figurehead to those with chips on their shoulders. I want to prove to the guys out there in prison that you can do it. If you're given the chance to fit into society, you can do it."

He's planning on achieving a \$367,000 turnover in his new business venture in the first year. "We don't rely on luck, we make our own."

Trade union wealth outstrips employers'

AUSTRALIA'S trade unions are financially the most powerful pressure group in the country, according to a report of the Victorian Employers' Federation ((VEF).

Their resources, it says, far outstrip those available to employer organisations, trade and other interest groups. The VEF says the financial resources of many Australian trade unions are so large that only a portion is used to finance their traditional activities.

It is this wealth that is allowing many unions, such as the Australian Metal Workers and Shipwrights Union, to finance its campaign for the 35 hour week.

Unions like the AMWSU, have accumulated sufficient funds to invest in property. It now owns seven properties worth an estimated \$A4 million. In 1979 the AMWSU's income was close to \$A9 million with accumulated funds of \$A7.6 million. Its surplus of operating funds last year was around \$A1 million.

A look at the resources of the top 20 unions shows that among them they have amassed funds exceeding \$A53 million. The top 100 unions have total funds of more than \$A83 million and property worth more than \$A63 million.

The VEF claims that the unions' wealth will grow when the Australian Council of Trade Unions implements its new policy on union financing. This policy proposes that trade unions should levy a subcrip*tion equal to 1 per cent of* each member's wage. On current wage levels the union movement would harvest over \$A300 million in 1980.

INDUSTRY CO-OPERATION PROVIDES SALARIES AND FRINGE BENEFIT MONITOR

Over 580 New Zealand companies now pool their salary scale information twice each year to provide mutual information of latest trends in salary payments and fringe benefits. The survey provides data on almost 30,000 individual staff members, classified into more than 260 specific job positions across a broad range of industries.

Also included are in-depth studies of such topical subjects as benefits, an Australian/New Zealand comparison, reasons for executive turnover, leave provisions and similar topics. This informed comment is made against the perspective of the New Zealand economy, as a planning guide to senior executives.

Further information on the survey is on Page 4 of this issue.